THE WEATHER — PARIS: Monday, ... LONDON: Monday, overcast ... CHANNEL: ... ROME: Monday, ... FRANKFURT: Monday, ... NEW YORK: Monday, ...
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INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

No. 30,701 — ** — PARIS, MONDAY, NOVEMBER 2, 1981 — Established 1887

NATO Is Divided On When to Tell Of Warhead Plan

By Walter Pincus
Washington Post Service

BONN — A still-secret decision to withdraw the 20-year-old Nike Hercules anti-aircraft atomic warheads from Western Europe has produced a disagreement within NATO over when the decision should be made public.

The withdrawal decision was adopted last spring, and some NATO officials want to make the decision public now to counteract the growing anti-nuclear movement in Europe.

But others, led by the United States, want to keep it secret until 1983, when the U.S. Pershing-2 and Cruise missiles are scheduled to be deployed in Western Europe.

This internal NATO debate is part of a much broader problem facing the alliance as its program to modernize its nuclear weapons has forced a full-scale re-examination of the entire 6,000-warhead nuclear stockpile in Europe.

More than 200 Nike Hercules launchers with accompanying nuclear and conventional warheads are spread in a belt that runs from the north to the south of West Germany, making them among the most visible nuclear weapon systems in that country.

Under current plans, the Nike Hercules warheads, which proved impracticable here and in the United States, where they are no longer deployed, will be replaced by the Patriot air defense system, which does not have nuclear warheads.

Word of the still-secret decision to remove the Nike Hercules was passed by NATO government officials here, in The Hague and in Rome who believe public disclosure of the move now could be a way to counter growing opposition to deployment here and in other NATO countries of the new long-range Pershing and Cruise missiles. U.S. officials would confirm only that a decision had been made.

Most NATO officials, however, oppose disclosure now, refusing to discuss the matter on the ground that it is "secret." Their reasons for keeping it secret vary, however.

Under terms of a December, 1979, NATO decision, the deployment of up to 572 of the Pershing and Cruise missile systems was to be accompanied by removal of a similar number of warheads already in Europe.

When the decision was made last April to retire the Nike Hercules as a key part of this removal, most NATO countries, including the United States, wanted to delay announcement so that it could be linked directly to introduction of the Pershing and Cruise missiles.

There also was hope, voiced by several NATO officials, that the Nike Hercules warheads could somehow be worked in as bargaining chips in the coming theater arms control negotiations with the Soviet Union.

Some NATO military men also wanted to hold off removing the old system until its replacement was ready.

This was true even though the Nike Hercules has never been a part of any realistic war planning, according to present and former NATO military men.

NATO officials have been in the habit of of overlooking the fact that many of the U.S. nuclear warheads in the European stockpile have only limited usefulness. But these days there is more talk, at least among European members of NATO, about possible opportunities to reduce the stockpile and retire older systems such as the Nike Hercules.

Opposed by U.S.

For the most part, however, the Reagan administration has opposed such an approach, fearing, as one State Department official put it recently, that this could lead to "an unraveling" of all the nuclear systems.

At the April NATO meeting where it was agreed the Nike Hercules would be withdrawn, alliance officials also approved a plan to retire another old weapon, 300 atomic demolition mines — nuclear devices designed in the 1950s to block invasion routes.

These so-called ADMs have been stored for years in the Netherlands and West Germany. Efforts to get an agreement to plant them in West German soil have always failed.

The Nike Hercules and ADM withdrawal represent the first results of the so-called "shift study," a NATO review of the nuclear stockpile originally proposed by the Netherlands in December, 1979, at the time of the alliance decision to deploy the Pershing and Cruise missiles.

In hopes of getting the Dutch to agree to take 48 of the new Cruise missiles, the Carter administration's defense secretary, Harold Brown, agreed that the NATO Nuclear Planning Group would undertake the study.

The Dutch government at the time saw the study as a means of getting rid of older, short-range nuclear systems designed to be used on West European soil. That step, Hague officials hoped, would be popular in their country, which had raised the biggest public protests in 1977 and 1978 over the neutron artillery shells.

The Associated Press

BL STRIKE TALKS — Len Murray, the head of the Trades Union Congress, above, and Sir Michael Edwardes, the chairman of BL, arrive for talks aimed at averting a strike. A tentative settlement was reached, but picket lines were set up at some BL auto plants in England. Story, Page 5.

Mubarak Says Problems at Home, Not Abroad, Now His Main Priority

By Howard Simons and David B. Ottaway
Washington Post Service

CAIRO — Egyptian President Hosni Mubarak says that he would seek reconciliation at home with the political opposition of his slain predecessor, Anwar Sadat, while taking limited steps abroad to establish détente with the assassinated president's adversaries in the Arab world.

In a wide-ranging interview on Saturday, Mr. Mubarak emphasized that he would concentrate on the pressing economic and social issues facing Egypt. He said that while "everything is going right" with Egypt's foreign policy — particularly the peace process with Israel — he would be looking inward, unlike his two predecessors.

"We are going to pay much more attention internally," he said, speaking English in the Uruba mansion, which lies across from his home in the suburb of Heliopolis.

The interview was revealing of the new style of leadership Mr. Mubarak intends to provide his shaken country as well as of his main preoccupations after the assassination of Sadat on Oct. 6 at a military parade.

Quiet, seemingly confident and down-to-earth, Mr. Mubarak called the internal security situation the "main item" on his agenda, but said the Moslem fanatics involved in Sadat's killing were being rounded up and no longer represented "a big danger."

Details of Shooting

"When we arrest all these people, everything is going to settle down," he said. "You can feel people starting to be at ease as [they were] some time ago."

Together with several other top officials interviewed here during the previous three days, Mr. Mubarak also provided some new details of the assassination.

"I was looking at the aerobatics team," said Mr. Mubarak, who was sitting next to Sadat in the parade reviewing stand. "I heard some bullets, then I heard the president saying, "impossible." I tried to look at the president. I saw him standing up ... I saw the image, the figure of somebody approaching with a gun, [and] told the president, 'Go down.'

"Somebody from behind pushed us ... When I fell on the ground, I felt nothing," he continued. "I fainted for a couple of seconds. Then I got up ... I found the president with blood in his mouth. That's all that I saw."

Mr. Mubarak defended the performance of Egyptian security, which failed to intercept four assassins who jumped from a truck participating in the parade and rushed unopposed up to the reviewing stand, firing bullets into the front row. He attributed the failure to the speed of the assassination and the security men's

(Continued on Page 2, Col. 2)

Israel Warns of Danger To Camp David Process If U.S. Heeds Saudi Plan

By William Claiborne
Washington Post Service

JERUSALEM — Israel has begun to intensify pressure on the Reagan administration to distance itself from the eight-point Saudi peace proposals, with Prime Minister Menachem Begin sending President Reagan a detailed and strongly worded condemnation of the Saudi plan and warning that expressions of interest in it could impede the Camp David process.

Mr. Begin briefed his Cabinet on Sunday on the letter to Mr. Reagan, in which the prime minister complained that the United States is endangering the prospects of Middle East peace by encouraging a Saudi role.

The contents of the letter were not disclosed, but a Begin aide said it "deals in detail with the prime minister's point of view on the entire Saudi Arabia subject. He tells the president what he thinks about the Saudis, about the so-called peace plan and the United States reaction to it."

Evron-Haig Meeting

Mr. Begin is understood to have told Mr. Reagan that the Saudi proposals — which call for Israeli withdrawal from all occupied territory, the establishment of an independent Palestinian state in the West Bank and Gaza Strip, and an affirmation of the right of "the states in the region" to live in peace — is nothing more than a compendium of extremist Arab resolutions aimed at the destruction of Israel.

Similar expressions of concern were made Friday by the Israeli ambassador to Washington, Ephraim Evron, to Secretary of State Alexander M. Haig Jr. The ambassador's complaint was apparently prompted by U.S. State Department insistence that the Saudi plan implicitly recognizes Israel's right to exist.

Israel, alarmed by Mr. Reagan's apparent praise for Saudi Arabia's peace plan, has warned the administration that a U.S. move toward embracing even parts of the plan could halt the negotiations on self-rule for the Palestinian inhabitants of Israeli-occupied territories.

Sources said Saturday that the warning, couched in diplomatic language, had been given to Mr. Haig by Mr. Evron at their meeting Friday.

According to the sources, Mr. Evron told Mr. Haig that the Israeli government, deeply concerned by the Senate's refusal last Wednesday to block an $8.5-billion aircraft sale to Saudi Arabia, was further upset when Mr. Reagan and Mr. Haig spoke warmly Thursday about the plan offered in August by Saudi Crown Prince Fahd.

In a brief exchange with reporters, Mr. Reagan, referring to the Fahd plan, said, "The most significant part is the fact that they recognized Israel as a nation to be negotiated with." Later that day, Mr. Haig said, "There are aspects in the eight-point proposal made by Crown Prince Fahd by which we are encouraged."

Suspicion Is Cited

The sources said Mr. Evron reiterated to Mr. Haig that Israel rejects the plan in its entirety. He added that praise for it by the highest-ranking U.S. officials, following the controversy over the Saudi arms deal, was likely to increase suspicion in Israel of a U.S. tilt toward the Arab side in the Arab-Israeli conflict.

If this suspicion is not put to rest, Mr. Evron reportedly said, Mr. Begin might find himself under heavy domestic pressure to pull away from the Palestinian autonomy negotiations being conducted with Egypt under U.S. auspices.

That would be a major setback for the administration, which is anxious for progress on the autonomy issue both to further the Middle East peace process and to bolster Egyptian President Hosni Mubarak's efforts to consolidate control as Sadat's successor.

The sources said Mr. Haig agreed that the picture presented in the media of administration attitudes toward the Saudi plan could have damaging consequences for the autonomy talks. But Mr. Evron, who returned to Israel on Saturday for consultations, was given no sign that the administration intends to recant its praise for Prince Fahd's proposal, the sources added.

Mr. Begin plans to return to the subject Monday in what is being billed as a major political speech to open the winter session of Israel's parliament, the Knesset.

Israeli government sources said that the Begin letter emphasized that the Saudi plan contains no mention of a need to conduct negotiations with Israel — nor even mentions Israel by name — precisely because to do so would imply recognition.

Moreover, Mr. Begin is understood to have written, there is no mention in the Saudi plan of UN resolutions 242 and 338, which call for negotiations with Israel and therefore imply recognition of the Jewish state. Both resolutions also call for Israeli withdrawal from territories occupied in the 1967 war, a demand that Israel has rejected.

In analyzing the Saudi proposals, Israeli officials pointed Sunday to a clause calling for a transitional period in which the West Bank and Gaza Strip would come under UN supervision pending the estab-

(Continued on Page 2, Col. 1)

U.S.-Saudi Plan Said To Provide for Bases

International Herald Tribune

WASHINGTON — The Reagan administration's decision to sell AWACS radar planes to Saudi Arabia foreshadows a "grand defense strategy for the Middle East oil fields" involving "surrogate bases" in Saudi Arabia, equipped and ready for use by U.S. forces if needed, The Washington Post reported Sunday.

In a lengthy article, reporter Scott Armstrong wrote that the "secret strategy," initially developed during the administration of President Jimmy Carter, "would allow the U.S. Rapid Deployment Force to move 'over the horizon' to these forward bases and pre-positioned supplies if the Soviet Union or other hostile forces attempted to capture the Persian Gulf oil fields, upon which America and other Western nations depend."

American air and naval forces also could use the bases and supplies if these oil fields were endangered, the article said.

"In addition, the stage is set, according to an internal Pentagon paper and other sources, for a regionwide air defense network, led by Saudi Arabia and potentially including such moderate states as Kuwait, the United Arab Emirates, Oman, Bahrain and Qatar," The Post said. It said that diplomatic negotiations, as well as some sales of military hardware, have begun in other Gulf states toward that objective.

The Pentagon on Sunday called the report "totally unfounded." A spokesman said The Post article "appears to be contingency planning by Carter administration officials and assumptions, many of which are inaccurate."

In Jerusalem, Prime Minister Menachem Begin's office had no comment on The Post's report. Uri Porat, Mr. Begin's press secretary, said, "You can't expect the prime minister to react to something that has not been confirmed." However, a senior adviser to Mr. Begin said, "If this story is true, the only word that comes to mind is 'fantastic.' I hope this report is wrong."

Citing U.S. diplomatic and military sources, as well as "an authoritative foreign official," The Post said the Saudi-U.S. arrangement developed during "highly sensitive discussions" over the last two years of a complex plan to help the Saudis build "military facilities with a sophisticated electronic command system that could be the nerve center for U.S. forces fighting in defense of the region."

'Secret Understanding'

The article said that the overall plan has not been approved by the Reagan White House, but that the momentum of intricate plans developed by the Carter administration has continued.

The Post reported: "To the extent that explicit terms have been agreed upon by the two governments, they were formalized in late February in a secret oral understanding between Maj. Gen. Charles L. Donnelly Jr., the chief of the U.S. military group in Saudi Arabia, and Col. Fahd Abdullah, the head of the Saudi Air Force and an influential member of the royal family, according to U.S. diplomats."

The plan allows officials of both countries, in the absence of a formal diplomatic agreement, to deny particulars of the strategy while carrying forward its many complicated steps, the article said, adding that the Pentagon, asked for comment on the story, issued a "blanket denial" that there is any larger defense strategy for the region.

The Post article said the controversial sale to Saudi Arabia of five Airborne Warning and Control System (AWACS) planes is a small piece of what is envisioned, according to the official sources here and abroad.

In its debate on the $8.5-billion sale of military equipment, including AWACS, to Saudi Arabia, the U.S. Congress did not confront the larger defense strategy, since "the larger implications" of the computerized command communications system "were never raised for the congressional debate," the article said.

Intended Strategy

The Post reported that the heart of the understanding is this: "If the United States will sell the Saudis an integrated package of top-of-the-line military technology, Saudi Arabia will build and pay for a huge network of command, naval and air defense facilities large enough to sustain U.S. forces in intensive regional combat involving the Soviet Union.

"The strategy is intended to deal with graduated threats ranging from local insurgencies to all-out warfare with a major outside power such as the Soviet Union, according to knowledgeable American and foreign sources.

"Ultimately, according to the U.S. and foreign sources, the Saudis will permit the United States to 'pre-position' more than a 90-day supply of equipment, munitions and supplies, including refined oil, in facilities constructed in Saudi Arabia by U.S. engineers according to U.S. specifications."

Strikers in Poland Resist Appeals By Parliament and Union Leaders

From Agency Dispatches

WARSAW — Solidarity union activists said Sunday that strikes in many regions of Poland would continue despite a demand from parliament, appeals by union leaders and a warning that the government could be given emergency powers.

Parliament on Saturday acceded to the wishes of Premier Wojciech Jaruzelski, and passed a resolution appealing for an immediate halt to strikes.

The appeal was backed by the threat of firmer action if it went unheeded, repeating a warning made by Gen. Jaruzelski on Friday.

If the strikes continue, parliament said, it will consider "providing the government with such legal means as are required" — apparently meaning a law to ban strikes.

A meeting of the union's National Commission has been called for Tuesday to attempt to regain control over the rebellious locals.

Warning from Walesa

Solidarity leader Lech Walesa and the union's 12-man presidium also reiterated a call for a halt to wildcat strikes, which they said threatened to lose the union popular support.

Solidarity's National Commission meets Tuesday in Gdansk to debate internal restraints and possible disciplinary measures against unauthorized strikers.

But local union leaders said strikes were continuing in steel works and sulphur mines in the Tarnobrzeg-Stalowa Wola area of southeast Poland, textile factories in Zyrardow and Skierniewice outside Warsaw, coal mines at Sosnowiec near Katowice and state farms in Zielona Gora province.

250,000 on Strike

Notice of intention to strike has been given in almost a dozen other areas.

Some 250,000 workers are estimated by local Solidarity leaders to be on strike.

Many of the strikes revolve around local issues, such as a demand for the removal of an administrator. But others are motivated by a campaign for a better food supply, which goes to the heart of the failing economy.

Gen. Jaruzelski said Friday that there were bright spots, such as a good beet harvest that allowed sugar rations to be increased, but that the economy generally was continuing to decline. He said the first priority was to strengthen the market supply, but he said that authorities would not simply increase food shipments to areas in response to local strikes.

Saturday's resolution in the Sejm (parliament) said that, in view of a "danger to the nation's existence," and the need to "protect citizens' basic needs," parliament called for an immediate halt in strikes.

The resolution followed a publicity campaign by the government aimed at placing much of the blame for the nation's economic woes on work disruptions.

Western economists attribute the situation mainly to a shortage of spare parts and raw materials because of a lack of hard currency associated with Poland's foreign indebtedness.

Passed Unanimously

The resolution was passed unanimously, though few deputies appeared convinced that it would carry much weight.

Parliament accepted an amendment put forward by a non-Communist member expressing approval of the Solidarity leadership's call for an end to wildcat strikes.

But a phrase saying that the union's appeal was "a step in the same direction" as that being taken by the government was struck out at the urging of a Communist deputy. He insisted that some of the union's leaders were moving in a different direction.

Meanwhile, millions of Poles ignored cold, rain and transport difficulties to trudge to cemeteries and light candles to the dead for the traditional All Saints' Day holiday, which holds strong religious and nationalist feelings here.

Strikers left sit-ins to make private pilgrimages or resumed work for the day in public transport sectors to allow others to pay respects to family tombs and Poland's dead of two world wars and countless uprisings against foreign domination.

Prosecutors in the Baltic port of Szczecin began a criminal investigation of local Solidarity leader Marian Jurczyk for calling legislators and the government "traitors to Polish society," the official PAP news agency reported Sunday.

It was the first reported investigation of a senior Solidarity official in the union's existence.

United Press International

Cmdr. Karl Andersson of the Swedish Navy, carrying a map, returns from visit to grounded sub.

Sweden Awaits Captain's Decision On Explaining Grounding of Sub

Reuters

STOCKHOLM — Sweden expects the Soviet Union to permit the captain of a stranded Soviet submarine to leave his vessel and explain what it was doing when it ran aground in Swedish waters last week, diplomatic sources said Sunday.

It was not known whether the captain would make known his decision to Swedish naval officers at the scene or through the Soviet Embassy in Stockholm, the sources added.

The commander of submarine No. 137, which ran aground Tuesday in a restricted military zone about 10 miles from Sweden's Baltic naval base at Karlskrona, has said he would not leave his command without orders from Moscow and would only explain the submarine's presence if Soviet diplomats were present.

Sweden has said it would not free the submarine until the captain agreed to cooperate in an investigation.

Swedish radio said a senior Swedish Navy officer spent about a hour on the submarine this afternoon before emerging alone. The radio said Cmdr. Karl Andersson, who spent several minutes on the vessel earlier in the day, told reporters he had spoken to the captain, but he gave no details.

Kremlin Regrets

Diplomatic sources said there had been a high-level meeting at the Swedish Foreign Ministry. They said no Soviet officials were present.

The Soviet Union has expressed regret over the incident, but Sweden has rejected this as inadequate. It wants a plausible explanation from the captain about his presence in the restricted zone.

Two Soviet diplomats have been permitted to go to Karlskrona, but they have been prohibited from entering the restricted zone.

Strong arc lights cast an eerie glow over the area, sealed off since Friday by coast guard and navy vessels. A defense staff spokesman said cold weather, cramped conditions and the long period of waiting were bound to put pressure on the 56-member crew.

One of the destroyers in a Soviet naval force standing by in international waters headed eastward last night and was replaced by another destroyer. Sweden has refused to let Soviet vessels help free the submarine.

Antigua Accorded Its Independence, Ending 3 Centuries of Rule by Britain

The Associated Press

ST. JOHNS, Antigua — The small Caribbean island nation of Antigua gained its independence from Britain on Sunday, ending nearly 350 years of British rule.

At midnight, Antigua became the independent nation of Antigua and Barbuda — so named in deference to a sparsely populated sister island, which could cause the nation's first major crisis with its threats to secede.

The ceremonies were presided over by Britain's Princess Margaret and by the man who became prime minister, Vere Bird.

The new nation faces an uncertain economic future, and its 75,000 inhabitants, whose average income is barely $1,000, are demanding more foreign aid from the West. Unemployment is also high — near 20 percent by official estimates.

Despite industrialization projects, the economy still depends heavily on the unpredictable tourist industry, with the chief attractions the beaches, yacht harbor and casino gambling.

Former CIA Agent's Efforts Are Seen as Crucial to Libya Intervention in Chad

This article is based on reporting by Philip Taubman, Jeff Gerth and Edward T. Pound, and was written by Mr. Taubman.

New York Times Service

WASHINGTON — Libya would have had difficulty sustaining its intervention in Chad last year without the support of a former U.S. intelligence agent, according to pilots and technicians who recently returned from Libya.

They said the Western personnel and materiel that the former agent, Edwin P. Wilson, supplied were indispensable to the Libyan military of Col. Moamer Qadhafi.

6-Month Estimate

These sources confirmed accounts published recently that Americans are flying and maintaining Libyan Air Force aircraft, including helicopters bearing Libyan Air Force insignia, that were used by the Libyans in the intervention in Chad.

"If the Americans left, within six months not one Chinook helicopter would be flying," said Michael D. Bedwell, a former U.S. Army pilot who returned Oct. 8 from Libya, where he worked for Mr. Wilson. Mr. Bedwell would not elaborate on his experiences in Libya, but other Americans and Britons agreed with his judgment and provided considerable detail about Mr. Wilson's role and that of the Western airmen.

The Libyan Air Force has a fleet of 20 CH-47 Chinook helicopters, an advanced cargo aircraft designed in the United States and manufactured in Italy.

A State Department spokesman said recently that there were no indications that Americans were involved with the Libyan Air Force. He added, without elaboration, that the department had received unconfirmed reports that Americans, working for a civilian charter airline in Libya, might have taken part in airlifts to resupply Libyan troops in Chad.

The spokesman, Alan Romberg, then added, "We believe it is totally inappropriate for any U.S. citizen to take any action which helps Qadhafi carry out such illegal activities as the occupation of Chad."

John Anthony Stubbs, a British pilot who worked for Mr. Wilson in Libya earlier this year, said in an interview last week that he had piloted C-130 Hercules airplanes on dozens of missions to advance bases in southern Libya to resupply Libyan troops and aircraft operating in Chad.

Senior U.S. intelligence officials said that Libya, which has purchased a large arsenal of weapons and military equipment from the Soviet Union and Western nations, has a severe shortage of trained personnel. Without Soviet advisers and forces, supplemented by pilots and technicians recruited in the West, they said, Libya's military forces would be immobilized.

Mr. Wilson, by providing outside help, has emerged as a pivotal figure in Libya, as an ex officio chief of procurement and recruitment for that nation's air force, according to the pilots and technicians. That, in effect, places Mr. Wilson, who was trained and employed by the CIA for 15 years, near the nerve center of a government considered a pariah state by the United States.

Mr. Wilson left U.S. government employ in 1976. He was indicted last year by a U.S. grand jury in Washington on charges of illegally shipping explosives to Libya. He was reindicted last month and is a fugitive living in Tripoli.

Began in 1976

Mr. Wilson's work for Libya, which began in 1976 when he and another former agency employee, Frank E. Terpil, signed a contract to sell their expertise to train terrorists, has grown to include five projects, according to recent associates of Mr. Wilson. They are these:

- An effort, considered illegal by U.S. authorities, to obtain more than $35 million worth of spare parts in the United States and Britain for Libyan transport aircraft manufactured in the United States.

This effort, which involves a complex plan to ship the parts through Italy, remains active, according to British and U.S. law enforcement officials, and is considered essential to keeping the Libyan fleet of cargo planes and helicopters flying.

- Recruitment of U.S. helicopter pilots and mechanics to train Palestinians and Libyans to fly and maintain the Chinook helicopters. This training program is directed by Mr. Hitchman, a former Marine Corps fighter pilot who worked for more than 10 years as a pilot for Air America, a company owned by the CIA.
- Construction of at least one so-called "clean room," a sterile, soundproof chamber that has a variety of uses, including assembly of both conventional and nuclear weapons. Libya does not currently possess nuclear weapons or the ability to make them, according to U.S. intelligence officials, but may be using the room for computer operations or the assembly of conventional warheads.
- Employment of British pilots and mechanics to fly and maintain Libyan-owned C-130 Hercules cargo planes. These planes served as the backbone for resupply of troops and materiel in Libya's military intervention in Chad earlier this year.
- Recruitment of U.S. oil technicians and procurement of oil-field equipment, important to the development of Libyan oil resources, the main source of revenue for the Libyan government. Mr. Wilson's work, which was done directly for the Libyan state oil company, supplemented similar activities of U.S. oil companies that operate Libyan oil fields.

Legality Question

The recruitment of American pilots and technicians would not appear to violate U.S. laws, according to Justice Department officials. They said it was illegal for Americans to enlist in the military forces of a foreign government, but that Mr. Wilson's operation would not be covered by the laws because the Americans working in Libya were recruited and paid by a Swiss company controlled by Mr. Wilson.

The U.S. authorities said that some other facets of Mr. Wilson's work for Libya, including the efforts to obtain spare parts, would be illegal because of a government ban on the export of U.S. aircraft and spare parts to Libya.

A U.S. grand jury in Washington is continuing the government's investigation of Mr. Wilson's activities, and U.S. law enforcement officials said that additional indictments were likely to be handed up later this year.

In addition, the House Select Committee on Intelligence recently began an investigation of Mr. Wilson's activities.

Mr. Wilson's interests, which also have included an effort to help modernize Libyan agriculture, produces for him an annual gross income of more than $3 million, according to recent associates of his.

Started in Britain

The effort to obtain spare parts for the Libyan Air Force began in Britain last year. Mr. Wilson provided several Britons with a list of more than 3,000 spare parts needed for Libya's C-130s. Mr. Stubbs, who flew the planes and is familiar with the effort to acquire spare parts, said the Libyan planes were "in desperate need" of maintenance.

Mr. Wilson has also been trying to obtain spare parts for the Chinook helicopters, according to Americans who worked with him in Libya. They said that Mr. Hitchman traveled to England about four months ago in an apparently unsuccessful attempt to buy parts for a civilian version of the helicopter. Mr. Wilson, in a telephone conversation in August, told an American pilot in Alabama that he needed 22 replacement engines for the helicopters, according to the pilot.

Mr. Wilson's recruitment of helicopter pilots and mechanics dates to 1979, when he signed a contract with the Libyan government to provide trained personnel, according to Americans familiar with the operation. These sources said the contract expired this month and that Mr. Wilson was attempting to renew it. To date, they said, Mr. Wilson has provided more than 50 Americans.

According to pilots and mechanics who worked in the program, the Americans flew and maintained Libyan helicopters and trained Libyans and Palestinians in their operation.

Americans and Britons familiar with the operation said that some of the helicopters were used to ferry supplies and troops to the Chad frontier. A British flight engineer said that American pilots "were at the controls" on flights into Chad, which is in north central Africa.

American pilots and mechanics interviewed by The Times denied those reports, saying that Libyans and Palestinians flew the planes. The Americans said, however, that use of the helicopters to support the intervention in Chad probably would not have been possible without maintenance provided by American personnel recruited by Mr. Wilson.

According to Mr. Stubbs, the British pilot, combat missions over Chad, using Soviet-built MiG fighters, were flown by Soviet pilots. The jet fuel used in the flights was brought in by C-130s flown by Mr. Stubbs and his British colleague, he said. "We were logistically keeping the Russians' MiGs airborne," he said.

Chadian Leader Seeks Peaceful Libya Pullout

From Agency Dispatches

PARIS — President Goukouni Oueddei of Chad says he expects Libyan troops to withdraw from the country "without any problems [or] disagreeable incidents."

"I am convinced that Qadhafi is going to respect his word of honor," Mr. Goukouni said at a news conference Saturday, referring to Col. Moamer Qadhafi of Libya. Libyan troops entered the country in December to help Mr. Goukouni subdue an opposition faction in Chad's civil war.

Speaking from Ndjamena, the capital, the Chadian president recalled that Libya had said "on many occasions" that it would withdraw from Chad when asked to do so by the Chadian government.

A Chadian government communiqué demanded Thursday that Libya withdraw its troops from the Ndjamena and southern Chad immediately and from the rest of the country by the end of the year.

But Radio Tripoli said from the Libyan capital that the report on the Chadian request was misleading. And the leader of the Chadian rebels, Hissène Habré, cast scorn on Mr. Goukouni as a creature of the Libyans, saying in an interview that Libyan forces would never leave of Chad unless they were driven out.

Military sources in Ndjamena said it would take about three weeks to determine if Libya would honor Mr. Goukouni's request. The Chadian communiqué said a ministerial commission had been created to reach a common accord with the Libyan authorities.

"The pan-African peacekeeping forces and the integrated national army will progressively take possession of the localities still occupied by the Libyan forces," the statement said.

Libya helped Mr. Goukouni drive Mr. Habré and his forces from Ndjamena. Western intelligence sources estimate there are between 8,000 and 15,000 Libyan troops in Chad.

After the Libyan intervention, Col. Qadhafi announced plans to merge Libya with Chad, a nation of four million people that has been engaged in civil war almost continuously since its independence from France in 1960. Mr. Goukouni reportedly has been under increased pressure from Col. Qadhafi for the union with Libya.

The Chadian president said Saturday he was counting on the Organization of African Unity to help with the "defense and security" of Chad.

On Saturday, Libya's official radio described as misleading the report that President Goukouni had called for the withdrawal of Libyan troops. But Radio Tripoli, monitored in Beirut, stopped short of directly denying the reports.

Radio Tripoli said Western newspapers "have concentrated on an alleged call" by Mr. Goukouni "for the full and immediate withdrawal" of Libyan troops from Chad. "These allegations," the broadcast said, "are designed to undermine the close relations between the Libyan and Chad people."

Chad's request for a Libyan withdrawal has been welcomed by official statements by Sudan and Nigeria, both of which have opposed the Libyan presence in Chad.

Mr. Habré, in an interview with the Associated Press at a mountain base in eastern Chad, said the United States must counter Soviet-backed Libyan expansionist dreams in Africa. He said Libya would not leave the country unless it was forced out.

"Libya is in Chad to stay, it did not come for tourism," Mr. Habré said. "The Soviet Union is backing it full force. We see Russians, East Germans and Cubans participating in the attacks."

Mr. Habré, who leads a guerrilla army believed to consist of about 6,500 men, has continued to fight a guerrilla war in southeastern Chad along the border with the Sudan.

Mr. Habré said: "Goukouni allowed the Libyans in. He can call on them to withdraw, but that is only part of the scenario he is playing for them. He owes his existence to them. He is their man. Meanwhile, Col. Qadhafi is realizing a long-cherished dream of expansion."

The Associated Press

Cabbages await sale at a Bucharest stand. Many other basic foodstuffs are in short supply.

With Poland's Situation in Mind, Romania Makes Internal Changes

By Marvine Howe

New York Times Service

BUCHAREST — Every day, Romanians, like the people of Poland, have to stand in long lines for food; they often cannot find cooking oil, sugar, dairy products, fresh meat or eggs.

Like Poland, too, Romania is faced with a rising external debt, balance-of-payments problems, hard-currency shortages, overinvestment in heavy industry and neglect of agriculture.

But officials say they have learned from the Polish experience. They are determined to prevent any organized protest movement from developing along the lines of the Solidarity union.

Security controls, said to be the tightest in Eastern Europe, swiftly check any attempt to organize opposition.

Apparently aware of growing discontent over the economic situation, Nicolae Ceausescu, the Romanian leader, has sought to spur agriculture and to take other measures to ease shortages.

Activists Arrested

A budding free labor union movement was dispersed in March, 1979, and has not been allowed to reappear. The 30 to 40 activists were arrested; most have since escaped abroad. The government has strengthened the official unions without giving them more autonomy.

However, officials say they fear that a deterioration of the situation in Poland could lead to Soviet intervention there and an increase in East-West tension. Such a development, they say, could narrow Romania's field of maneuver.

While there is no known dissident organization, there are said to have been at least 50 acts of protest in the last two years — work stoppages in factories, sabotage in a chemical factory, the destruction of an empty supermarket and, last month, two small bomb explosions near a bookstore and party headquarters in Ploesti.

"People are angrier," a Western diplomat said, "but they are not trying to overthrow the government."

Apparently reacting to discontent, Mr. Ceausescu began a program of change in February, acknowledging that agriculture had been neglected in favor of industrial development.

Officials Dismissed

Several officials, including the finance minister, the planning chief and the agriculture minister were dismissed. The new five-year plan is to reduce growth in industry and to allocate more investment to agriculture.

According to foreign trade experts, exports are expected to increase by 20 to 25 percent this year as a result of the new measures, and the growth in imports is being held to 5 percent.

There is a campaign against hoarding, but this has not discouraged citizens from attempting to stock up for the winter.

The 1981-85 plan emphasized the development of energy sources — coal, hydroelectric power and nuclear power. High oil prices have been a problem because of the need for keeping the large petrochemical industry supplied with crude oil.

Romania's domestic production of crude oil has declined from a high of 294,000 barrels a day in 1976 to 230,000 barrels a day last year, and since 1979 Romania has been importing more crude oil than it produces. Last year, for the first time, it imported Soviet oil at world market prices.

Romania has traditionally diversified its foreign trade in an attempt to retain an independent stance, but in view of the shortage of hard currency it has had to turn increasingly to the Soviet bloc's Council for Mutual Economic Assistance, or Comecon.

Romanian efforts to pursue an independent foreign policy have paid off, according to Romanian officials. They point to a recent loan from the International Monetary Fund for $1.3 billion for a three-year period, a loan from the U.S. Export-Import Bank for $300 million for a nuclear power plant, and foreign trade that is more than 50 percent outside the Soviet bloc.

Bishop's Identity Revealed

VATICAN CITY (AP) — The Vatican on Friday reported the death of a Romanian churchman and disclosed for the first time that he was a Roman Catholic bishop.

Msgr. Konrad Kernweisz, 68, who died Oct. 24, secretly served as a substitute bishop in the diocese of Timisoara since 1954 when Bishop Agostino Pacha was imprisoned "for his faith," the Vatican said in a report carried by its radio and daily newspaper, L'Osservatore Romano.

The Vatican does not announce some appointments of bishops in countries hostile to the church.

Violations Charged in Tunisia Vote

First Multiparty Poll Since Independence

Reuters

TUNIS — Tunisians voted Sunday in their first multiparty general election since the country became independent from France in 1956, but even while polling was under way the opposition parties made charges of electoral irregularities.

The three opposition movements taking part in the contest nevertheless said at a joint news conference that they were not withdrawing their candidates.

"We persist in wanting the success of the current democratic process," Communist Party leader Mohammed Harmel said.

He and former Defense Minister Ahmed Mestiri, leader of the mainstream opposition Democratic Socialist Movement, charged that there had been numerous violations of electoral law.

Voter Harassment Charged

They said a number of voters were intimidated, opposition observers expelled from polling stations and some candidates rounded up.

Except for the Communist Party, which was legalized in July, the oppositino parties were required to win more than 5 percent of the vote Sunday to qualify for official recognition. They were generally expected to win no more than several seats.

Tunisia's ruling National Front, composed of the Socialist Destour Party and the UGTT trade union federation, was considered certain to dominate the new National Assembly. Official results are expected Monday.

The move to democratize Tunisian politics was announced last April by President Habib Bourguiba at a congress of the Socialist Destour Party, which has been in office since independence.

Tunisian newspapers Sunday urged the 2 million registered voters to go to the polls, saying it was necessary to "contribute to a better reinforcement of democratic principles and make their application irreversible."

In theory, the opposition groups contesting the election had the right to send observers to polling stations, but most of them were unable to do so because they had not obtained authorization.

In one key Tunis constituency, Foreign Minister Beji Caid Essebsi was opposed by Mr. Mestiri of the Democratic Socialist Movement. The other main opposition party taking part, along with the Communists, is the People's Unity Movement.

Only one shade of opinion is absent from the election, political sources said: the Islamic Tendency Movement, whose fundamentalist leaders are in jail.

WORLD NEWS BRIEFS

Rabb, in Rome, Is Doubtful of Plot

The Associated Press

ROME — Maxwell M. Rabb, the U.S. ambassador to Italy, returned here over the weekend and dismissed reports that he had gone to Washington because of concern that a Libyan plot might jeopardize his safety.

He told reporters on Saturday that he was part of a series of consultations he had in Washington with President Reagan and top State Department officials on U.S.-Italian relations, and he said he had full confidence in the ability of Italian authorities to protect him and the U.S. Embassy.

Mr. Rabb, 71, left Milan on Oct. 14 and went to Washington in a manner that was described at the time as hurried and secretive. Newspaper accounts from Washington reported that Mr. Rabb had left Italy because of fear that Libya had targeted him for attack. According to the accounts, the attack would have been a Libyan reprisal for the incident last August in which two U.S. Navy jets shot down two Libyan jets after the American planes were attacked over the Gulf of Sidra.

Embassy officials have said the major reason for his visit to Washington was to assist in lobbying for the sale of AWACS aircraft to Saudi Arabia.

British Ex-Officer Admits Spying

Reuters

LONDON — A former officer in British military intelligence has confessed that he was part of a British spy ring that passed information to the Soviet Union during World War II.

Leo Long, a retired film company executive, told The Sunday Times newspaper that he was part of the network run by Anthony Blunt, a former art adviser to Queen Elizabeth II, who stripped him of his knighthood when he was exposed two years ago. Mr. Long said he had confessed to British intelligence in 1964, at the same time as Mr. Blunt, and like him, was never prosecuted.

His statement is likely to cause a storm in Parliament, which was told last year that Mr. Blunt was the only spy given immunity from prosecution since the war. Mr. Long said some members of Communist cells at Cambridge University, where spies in the Blunt ring were recruited in the 1930s, could be in high positions of responsibility now. But he refused to name them.

Leo Long

Hoxha Urges Kosovo Status Change

The Associated Press

VIENNA — Enver Hoxha, the Albanian Communist leader, called Sunday on neighboring Yugoslavia to make the autonomous province of Kosovo a constituent Yugoslav republic as he addressed the eighth congress of the Albanian Party of Labor in Tirana.

Violent clashes between police and ethnic Albanian nationalists in the southern Yugoslav province led to the deaths of at least nine persons last March and April; more than 250 were injured. Albanian officials allege that several hundred people were killed.

The party congress of the Communist political organization opened Sunday. It is being attended by delegates representing 120,000 party members and delegates from about 20 Marxist-Leninist groups. But the meeting was marked by the absence of official delegations from ruling Communist parties, with the exception of Son Hao, a Central Committee secretary of the Vietnamese Communist Party.

China Bars Central Square Protests

Reuters

PEKING — China banned unauthorized demonstrations, wall posters and the distribution of leaflets in Peking's central Tiananmen Square on Sunday.

The city government published a notice on "ensuring solemnity, cleanliness and good social order" on the huge square, which is named after the entrance to the old imperial palace, the Gate of Heavenly Peace, and which is traditionally the focus for expressions of popular discontent.

During the so-called democracy movement that grew up after the death of Mao in 1976, enthusiasm at the now-closed democracy poster wall nearby often spilled over into Tiananmen Square.

The ban followed a rowdy spontaneous demonstration in the square two weeks ago by hundreds of football supporters after China beat Kuwait 3-0 in a World Cup qualifying match.

Opposition Gains Seat in Singapore

United Press International

SINGAPORE — J.B. Jeyaretnam, leader of the Workers Party, has scored an unexpected by-election victory to give the opposition its first voice in Parliament in 14 years.

Mr. Jeyaretnam defeated the candidate of the ruling People's Action Party by 7,012 votes to 6,359 in the balloting Saturday to replace C.V. Devan Nair, who the country's new president.

Mr. Jeyaretnam said his party would attempt to gain more seats in Parliament and eventually replace Prime Minister Lee Kuan Yew and the People's Action Party, which has ruled Singapore since 1959. It has had complete control of Parliament since opposition members walked out in 1967.

Karpov, Korchnoi Draw 11th Game

New York Times Service

MERANO, Italy — Anatoly Karpov, the world chess champion, and Viktor Korchnoi drew the 11th game of their title match here over the weekend.

Mr. Karpov's 4-1 lead thus remained unchanged. The 30-year-old Russian still needs two victories to keep his championship.

Mr. Korchnoi, a Soviet defector now living in Switzerland, pressed for a victory in Saturday's game with an innovation to win a pawn. However, energetic counterplay by the champion frustrated his hopes.

Israel Warns U.S. of Danger From Saudi Plan on Mideast

(Continued from Page 1)

lishment of a Palestinian state. This clause, the officials said, is designed to avoid any direct Saudi recognition of Israel. Mr. Begin is understood to have made that point to Mr. Reagan.

Mr. Begin's letter appeared to be part of a coordinated campaign by Israel to mute U.S. expressions of interest in the Saudi plan and direct the focus of attention to the Camp David accords.

This theme was taken up Friday by Foreign Minister Yitzhak Shamir, who said that each of the Saudi proposals represents a "poisoned dagger thrust into the heart of Israel's existence," and by Defense Minister Ariel Sharon, who repeated his allegation that the United States is indirectly providing sophisticated weapons to Iraq by arming Saudi Arabia and Jordan.

The United States has denied that charge, but Israeli military sources have responded that proof of arms transfers by Jordan and Saudi Arabia to Iraq could be made public by Israel if the Reagan administration persisted in its denials.

Mr. Sharon reportedly has informed the Reagan administration that he is postponing a visit to Washington scheduled later this month in which he was to have discussed strategic cooperation between the United States and Israel. The reason reportedly given was the defense minister's heavy schedule.

Mubarak Says Problems at Home, Not Abroad, Now His Main Priority

(Continued from Page 1)

shock at something that had never happened before.

"They are not used to such a violent act. It is something new in our country. ... In your country, you are used to it, but in our country it is something we are not used to at all," he remarked.

Other officials said the military investigation, launched after the shooting, had discovered there were eight other officers and soldiers involved in helping the four captured assassins.

One high official said they were all arrested and would be put on trial together with the four assassins. "We are satisfied that is it" inside the armed forces, he said.

Also going before a court-martial will be a "few number of officers" who were in charge of security at the parade and allowed live ammunition to be smuggled in by the assassins, the high official said.

All 12 officers and soldiers involved in the assassination were understood to belong to a small, civilian, and fanatical Moslem group called Al Jihad. Its leader, it was learned in these interviews, was Mohammed Abdel Salam Faraq, an engineer Cairo. More than 500 members of the group have been arrested.

Crackdown on Moslems

Mr. Mubarak indirectly criticized Sadat for failing to crack down sooner than he did on Moslem fundamentalist activities in the country. In early September, more than 1,500 Moslem and Christian extremists, as well as political opposition figures, were detained, but Mr. Mubarak said, "We should have done this one year ago."

He said the Islamic fanatics had begun expanding their activites a long time ago, but Sadat had not wanted to take any action against them. He did not explain Sadat's reasons.

Mr. Mubarak went to great lengths during the interview to make assurances that he does not plan to change Egyptian policy toward Israel after the final Israeli withdrawal from the occupied Sinai peninsula next April 25.

Rejecting speculation that he intends to move closer, at least, to the moderate Arabs and distance himself from Israeli leaders after that date, Mr. Mubarak said, "It will not happen."

"We have declared and President Sadat declared that our policy is not the policy of one man, but the policy of a country," he said. "After the 25th [of April] and we take back our territories, we will deal with Israel as any other nation.

"We will not freeze relations. Why? We are going to deal with Israel as a neighbor and like any other country anywhere in the world," Mr. Mubarak insisted. "We have rejected all means of war. So after taking back our occupied territories, why are we going to raise hell or to start any kind of bad relations?"

"I didn't even think of it," he added.

Mr. Mubarak also explained his attitude toward Arab nations that had been hostile to Sadat but had moderated their stand toward Egypt since his death, particularly Saudi Arabia.

He said he had ordered a halt to all attacks in the Egyptian state-controlled media against other Arab nations, including Libya, but that he did not intend to go further in initiating a rapprochement.

"We are going on the principle of wait and see," he said. "If they want to start good relations with us, we are ready, but on the basis that we are not going to drop our relations with Israel by any means. There is Camp David and we respect it," he added, referring to the U.S.-sponsored accords that brought peace between Israel and Egypt and provided for the still unfinished negotiations to settle the problem of Palestinians in occupied territories.

No Radical Shift

Mr. Mubarak said Egypt planned to go ahead with the Palestinian autonomy talks no matter how other Arab nations responded.

He also rejected speculation that he was planning a radical shift in Egypt's alliances with the great powers. Sadat, on taking office, broke Egypt's ties with the Soviet Union and engineered an alliance with the United States.

Mr. Mubarak said there was a fundamental difference between Egypt's relations with the Soviet Union and those with the United States that explained why Sadat had expelled 17,000 Soviet technicians in 1972. "The United States does not interfere in our internal affairs, but the Soviet Union wanted to intefere in every minor detail, in all the details of our country," he remarked.

He was asked about what steps he thought the Reagan administration might take to enhance its standing in the Arab world following the sale of AWACS radar planes to Saudi Arabia. Mr. Mubarak replied, "The most important point for this area is the peace process."

"We have so many dangers around us," he added, excluding Libya as one of them but refusing to say otherwise what these might be.

Mr. Mubarak denied reports that he is vexed by the American media, particularly because of three articles recently written by columnist Jack Anderson alleging irregularities in the way a contract was awarded to the Egyptian company transporting U.S. arms to Egypt. Among those Mr. Anderson alleged were involved in the deal were Mr. Mubarak's brother-in-law, Gen. Mounir Sabet, now stationed in Washington as chief of Egyptian military procurement, and Defense Minister Abdel Halim Abu Ghazala.

Mr. Mubarak said Saturday that he had ordered an investigation of the charges here and in the United States, and had been told there was no substance to the Anderson reports.

8 Die in Yugoslav Crash

The Associated Press

BELGRADE — Eight Turkish workers were killed and eight others injured, four of them seriously, when a small bus collided with a bus on a highway west of here Saturday, the Yugoslav news agency Tanjug reported.

Engineers Work on Strut Damage For Shuttle Launch on Wednesday

By Walter Sullivan
New York Times Service

NEW YORK — Last April, after the space shuttle Columbia returned to Earth from its successful first flight, engineers were startled to discover that a strut supporting a tank in the nose had been crushed.

The engineers studied data recorded in the first few thousandths of a second after the two booster rockets ignited to help send the shuttle into orbit. They found evidence that an extremely powerful pulse of pressure had risen from beneath the vehicle, struck its tail and traveled whiplash style up the craft to the nose and the tank strut.

It appears that in its first seconds of flight Columbia may have come close to being so disabled that its safe return to Earth would have been prevented.

Such a pressure pulse from ignition of the engines was expected, but only as strong as 0.5 pounds per square inch. The pressure appears to have reached two pounds per square inch, well in excess of the vehicle's design limits.

Extensive Preparations

As a result, extensive preparations have been made to avoid a repetition when Columbia is launched on its second test flight, now scheduled for Wednesday morning local time.

At Cape Canaveral, Fla., the countdown for the second flight began early Saturday and was running smoothly and slightly ahead of schedule. Meteorologists for the Air Force and the National Weather Service predicted clear, dry skies for Wednesday morning.

The astronauts, Col. Joe H. Engle of the Air Force and Capt. Richard H. Truly of the Navy, were spending the weekend at their homes in Houston and reviewing their flight plan. They are scheduled to arrive at Cape Canaveral on Monday for final pre-mission briefings. They will be the first men to fly a used spaceship.

To avoid a repetition of the pressure-pulse danger, the engineers hope that a deluge of water spray, as well as water-filled "hammocks" beneath the two solid-fueled booster rockets, will absorb most of the shock formed by the rockets' wave of pressure.

The effects have been tested with a 6.4 percent scale model of the shuttle, its booster rockets and movable launching pad. To what extent the new procedure will be successful in full-scale performance is uncertain.

"We have challenged and tested our assumptions and conclusions, which is as much as you can do in engineering," said Dr. George McDonough, who was in charge of the trials at the George C. Marshall Flight Center in Huntsville, Ala., and who expressed confidence that the problem had been resolved.

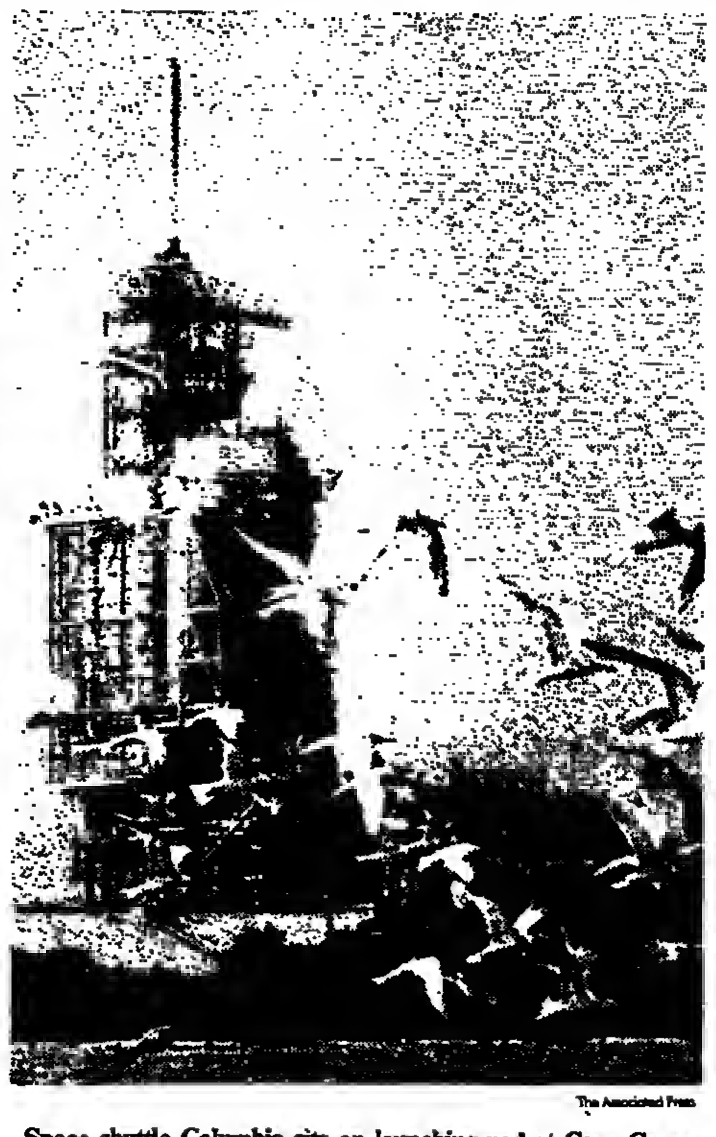
The photographs show the elevons — flight control surfaces at the rear end of Columbia — bending and bowing in response to the pressure. The same was true of the flap that extends under the nozzles of the main propulsion system to protect the vehicle from their blast. Had the elevons become inoperable, Columbia could not have flown to a landing.

Apparently the shock wave caused a whiplash, or "twang" effect, that suddenly swung the vehicle's nose with an acceleration four times that of gravity. It was not felt by the astronauts but it slammed a tank against one of its supporting struts in the nose. Had the tank ruptured, the astronauts would have had to abort the mission and return to Kennedy Space Center for an emergency landing.

Violent Pressure Pulse

A model was devised to observe how a violent pressure pulse bounces off the floor of the launching area and up through holes in the mobile launching platform on which the rockets are standing. Several plans for weakening this pulse were tested. It was finally decided both to spray water directly into the rocket exhaust and place water in troughs suspended like hammocks around each booster.

Plumbing at the launching site has been rearranged to pump water into holes beneath the two solid-fueled rockets at 100,000 gallons a minute. In the previous launching, a somewhat more modest flow was directed into the two trenches that carry flames from the rockets away from the launching site.



The Associated Press

Space shuttle Columbia sits on launching pad at Cape Canaveral, Fla., while being readied for another launch this week.

Nuclear Arms-Control Movement Begins to Take Shape in the U.S.

By Paul Taylor
Washington Post Service

WASHINGTON — After a decade-long dormancy, nuclear arms control is rousing fitfully to life as a grass roots political issue in the United States.

With doctors and scientists leading the way, with the nuclear arms buildup of the Reagan administration supplying the fuel and with 1960s-style teach-ins and petition drives as the vehicle, a movement has begun to take shape.

Oo Veterans Day Nov. 11, the Union of Concerned Scientists and other co-sponsoring groups will hold teach-ins on more than 130 campuses.

Resolutions advocating a freeze in nuclear arms production are being introduced in state legislatures and town councils across the country. Scores of new arms control groups, made up of lawyers, nurses, technicians and others, bave sprung up.

Several existing organizations, notably the Union of Concerned Scientists, have shifted the focus of their attention from commerical nuclear power to nuclear arms.

Activists say there has not been so much action on so many fronts since the ABM battle of the late 1960s. Even so, the movement is still but a faint echo of the anti-nuclear campaign sweeping Europe. And some activists doubt that Americans will ever become as exercised as Europeans over arms control.

"This country is still in a state of what I call manic denial about nuclear weapons," said Dr. Helen Caldicott of the Boston-based Physicians for Social Responsibility, whose group has gbeen giving slide shows across the country that depict the horrors of a nuclear war. "People here just don't feel any specific danger to themselves and their children. In Europe, they do."

The issue has quickened in Europe because the United States and the Soviet Union are in the process of basing a new generation of medium-range nuclear weapons there, fanning Europe's fears that the superpowers could engage in a nuclear showdown on European soil.

In the United States, nuclear weapons have upon occasion become a matter of acute local concern, as when the citizens of Nevada and Utah made it clear they did not want the MX mobile-missile system based in their state. But for the most part, the "bombs in the backyard" psychology has not taken hold here, and arms control is a movement searching for a focus.

"We're dealing with one of those large, overarching subjects that people have trouble getting a grip on," said Dr. Henry Kendall, chairman of the Union of Concerned Scientists.

Roger Molander, founder of a new group, Ground Zero, noted a recent Gallup Poll that showed "47 percent of the people say they're worried about nuclear war but don't like to think about it."

"We've got to create an environment where they're willing to think about it," he said.

As part of that effort, the arms control activists are taking care not to come across as anti-military, anti-government flower children of the 1960s. They say they recognize that one of Mr. Reagan's political mandates from 1980 was to preside over a buildup in arms, and they do not want to undermine their effectiveness by cutting too deeply against that grain.

"We're not anti-military, nor are we in any way advocating unilateral disarmament," said Dr. Kendall.

"We're trying to separate the nuclear force issue from the conventional force issue," said Mark Niedergang, editor of the Freeze Newsletter, which reports on the campaign of more than 200 local groups around the country seeking passage in state legislatures of resolutions calling for a freeze in nuclear weapons production.

"This is a much more moderate movement than what people are accustomed to," he said. "We've all make a conscious decision not to beap a whole lot of the liberal left agenda onto the movement."

Leaders of the movement bave decided to use grass roots organizing techniques, rather than a direct frontal assault on the U.S. government, because they believe the soil for arms control is more fertile among the people. "The idea is to build in the grass roots over a period of years until we have a powerful enough force to make our case in Washington," Mr. Niedergang said.

But that tactic presents another problem: How can you capture the attention of the masses when it is not exactly clear what they are supposed to do about the problem?

"A lot of groups haven't focused on that yet," said Jeremy Stone of the Federation of American Scientists.

For its part, the federation has been circulating a petition that reads: "Our nation ought not to base its policies or its weapons programs on the belief that it can limit, survive or win a ouclear war."

That is obviously not a rousing call to action. But Mr. Molander says: "There are three stages in the analytical process — problem identification, problem understanding and solution. We're still at stage two."

New U.S. Rights Nominee Is an Avid Convert to Reaganism

By Judith Miller
New York Times Service

WASHINGTON — The White House has nominated Elliott Abrams, a neo-conservative Democrat who has become an avid Reagan Republican, to be assistant secretary of state for human rights.

Mr. Abrams' political transformation occurred long before he joined the administration last January as assistant secretary of state for international organization affairs and before he worked in Ronald Reagan's presidential campaign last year.

"My views on politics and foreign policy have not changed," Mr. Abrams said in an interview Friday, when his nomination was announced. "What changed was my perception of the two parties."

Longtime associates say candor and firm convictions are ballmarks of the 33-year-old lawyer, the youngest person in this century to become an assistant secretary in the State Department.

Failure to Explain

The interview with Mr. Abrams appeared to confirm his friends' judgmeot. For example, Mr. Abrams immediately criticized his administration for "failing to explain to the American people and other countries that human rights is at the absolute center of our foreign policy."

President Reagan, in a statement announcing the nomination, said: "In my administration, human rights considerations are important in all aspects of our foreign policy. We will speak up against the enemies of freedom and we will try to help its friends. We will encourage those who seek freedom, not least by telling the simple truth about their efforts and the efforts of those who seek to oppress them."

Democratic critics and ardent proponents of buman rights have accused the president of giving buman rights a low priority, and they point out that the human rights position has been vacant since Mr. Reagan took office. His first nominee, Ernest W. Lefever, withdrew from consideration in June in the face of staunch Senate opposition.

A majority of the Senate Foreign Relations Committee was trouhled, in part, by his opposition to public criticism of rightist regimes friendly to the United States, to economic sanctions to discourage human rights abuses, and to annual rights reports to Congress on individual countries.

Mr. Ahrams endorsed the buman rights reports and said puhlic criticism of ahuses by friendly government's was part of "the arsenal for fighting for human rights." He said he would not rule out the imposition of economic sanctions against countries engaged in gross violations of individual rights.

He said the Soviet Union "does not care about buman rights."

Mr. Abrams' views and his nomination were criticized by several members of the Carter administration, including Stephen B. Cohen, a law professor who was deputy assistant secretary of state for buman rights.

The nomination won praise, however, from two Democratic senators for whom he has worked. Sen. Henry M. Jackson of Washington called Mr. Abrams, his special counsel from 1975 to 1977, "an excellent choice."

Sen. Daniel P. Moynihan of New York said that Mr. Abrams, who served as his special counsel and then as chief of staff from 1977 to 1979, had a "great commitment to the issue of buman rights."

Sen. Paul E. Tsongas, a Massachusetts Democrat who was a leading opponent of Mr. Lefever, predicted that Mr. Abrams would easily win confirmation. "Being a oeo-conservative does not disqualify you from the job," be said.

Mr. Abrams has been a frequent contributor to several neo-conservative publications, such as Commentary and Public Interest. He is related hy marriage to one of the leading neo-conservatives, as his wife, Rachel, is the daughter of Norman Podhoretz, editor of Commentary.

Bonn Grapples With New Dispute on Missiles

By Susanne M. Schafer
The Associated Press

BONN — A new controversy has arisen in West Germany over NATO's plan to deploy medium-range missiles in Europe, touched off by reports that Chancellor Helmut Schmidt had said in a meeting with American journalists that it was not his idea to deploy the weapons.

Mr. Schmidt is facing serious public opposition to the 1979 NATO decision to start placing 572 Pershing-2 and Cruise missiles in Western Europe in 1983, even though the alliance has pledged to enter arms reductions talks with the Soviet Union this month.

The West German government denied a report in the newspaper Die Welt saying that Mr. Schmidt had told the American editors Thursday that he opposed the NATO decision.

"The chancellor remains in favor of the two-track NATO decision to deploy the new missiles and seek arms limitation talks with the Soviet Union," a government spokesman, Kurt Becker, said in a statement.

The newspaper said that "Chancellor Schmidt told a group of American journalists that he never backed the stationing of medium-range nuclear weapons in West Germany." But Mr. Becker called the report "false and incorrect."

Mr. Schmidt met with reporters and editors from Washington on Thursday. A report was made available to The Associated Press by one of the editors who attended the interview.

Reagan administration officials have said the NATO move was taken at the initiative of Western European leaders, in particular Mr. Schmidt, following an address the West German leader made in London in 1977.

Mr. Schmidt was said to have told the American journalists that his London speech had only pointed out the danger to Western Europe of the growing number of nuclear SS-20 missiles deployed by the Soviet Union.

The report on the interview given to The Associated Press said Mr. Schmidt had argued that his aim all along was to persuade the Soviet Union to negotiate reductions in their arsenal so the NATO missiles would never have to be deployed in West Germany.

"I was never very enthusiastic about it," Mr. Schmidt was quoted as saying. He was said to have had "second thoughts" all along, but "I haven't changed my mind."

Carter Proposal

He was described as saying that "it was not my idea," and that it was an American idea brought by President Jimmy Carter to a four-power summit meeting in Guadeloupe in 1979.

Mr. Schmidt was said to have told the U.S. journalists that he originally went along with the NATO decision because Mr. Carter seemed so intent on it in the meeting in Guadaloupe with President Valéry Giscard d'Estaing of France and Prime Minister James Callaghan of Britain.

Mr. Schmidt said Mr. Carter implored the Western leaders to match the Soviet weapons with missiles to be placed in West Germany, Britain, Italy, Belgium and the Netherlands.

The West German leader told the U.S. journalists that the reason so much opposition was focused against the new weapons was because 6,000 nuclear weapons are now on West German soil.

"If you tell the people of the state of New York that the leadership of the alliance has decided to put 6,000 nuclear weapons there which are meant to hit Soviet military targets, then you would get some peace movement, I can tell you, in the state of New York," Mr. Schmidt was quoted as saying.

When asked to comment on an apparent discrepancy between the Schmidt and Washington accounts, Alan Romberg, a deputy spokesman at the State Department in Washington, said: "I'm not going to get into the history of this thing. I don't see much point in focusing on anything but the agreement."

Postage in U.S. Goes Up Again

Washington Post Service

WASHINGTON — The sixth U.S. postal rate increase in 10 years — and the second this year — went into effect Sunday. First-class postage, 6 cents a decade ago, now costs 20 cents.

The increase has been criticized for its timing — right before the Christmas-card season — and for hurting consumers more than businesses, because rates for certain types of second-class mail, including so-called junk mail, will drop.

Although first-class domestic postage rose from 18 cents to 20 cents for the first ounce, the cost of each additional ounce remains at 17 cents. The rate on domestic postcards rose a penny to 13 cents. There was no increase in rates for international airmail — currently 40 cents per half-ounce — or parcel post.

Campaign Against Corruption in China Is Exposing Bribery on a Grand Scale

By Michael Parks
Los Angeles Times Service

PEKING — As China's minister of commerce, Wang Lei felt that he was entitled to entertain his friends to a good meal every so often at Peking's renowned Fengze Garden Restaurant, and the manager, acutely conscious that Mr. Wang was his boss, charged only a fraction of the meal's cost.

But to Chen Arwu, a young cook at the restaurant, this was simply corruption. Mr. Chen complained to the Communist Party's Discipline Inspection Commission, and Mr. Wang eventually wrote a public self-criticism and paid his back restaurant bills.

This small scandal, nearly a year ago, made the sensitive subject of official corruption a major issue here, and a national campaign against it is now exposing bribery on a grand scale, wholesale abuse of privilege by officials of all ranks and hundreds of millions of dollars in embezzled or misappropriated public funds.

In eastern China's Shandong province, the Jinan Petrochemical Works was found recently to have diverted nearly $3 million in company funds to unauthorized expenditures during the last three years, largely to improve the living conditions of its top officials and staff.

In the southern province of Guangdong, auditors discovered that a total of $13.8 million had been paid out in bribes or "gifts" by 2,300 enterprises and offices in the first half of the year to get raw materials for production, to make sales, to avoid taxes or simply to curry favor with highly placed officials.

That was only the money they could trace in a crash audit, the investigators said, and the actual total might be several times that.

Each day, the official Chinese press details newly uncovered cases of corruption throughout the government, party, industry and commerce, along with assurances that action is being taken.

Most cases are on a relatively small scale, but some reflect abuses that seem to be repeated again and again across the country.

In Shanghai, the country's largest industrial and commercial center, an estimated 40 percent of enterprises are evading state and municipal taxes, according to the local newspaper, Wenhui Ribao.

So commonplace is corruption now — "plucking a feather from a passing goose" or "slicking things with grease," as it is described in Chinese — that it is possible for a confidence man to pose as an enterprise official and inveigle others into outlandish deals with the promise of some sort of payoff.

Corruption seems to run equally through the fabric of everyday life, according to ordinary Chinese citizens who complain at length about the need for "presents" and "connections" simply to survive in a major city here.

When vegetables are in short supply, usually any time after October in northern China, grocery clerks frequently demand and get two or three cigarettes for setting aside carrots or potatoes.

On the other hand, grocers are victimized by everyone: health inspectors demanding a side of pork to certify sanitary conditions, electricians getting canned goods and wine for repairing meat slicers and refrigerators, and so on.

The allocation of housing is rife with corruption and favoritism because of the acute shortage, and "those in charge live like princes," the Communist Party newspaper People's Daily reported from one provincial city.

Now, with city residents buying motorbikes in large numbers, Peking officials have discovered that only 8 percent of the motorbikes here are being run on fuel acquired legitimately.

"We are learning what the people had found out long ago — that over its three decades in power, the Communist Party has become corrupt and corrupt almost to its core," said an adviser to the party's Discipline Inspection Commission, which was established in 1978.

"Corruption ... seems to be present everywhere, to have affected everything," the adviser said. "Sometimes I think it is actually stronger than the government and the party because it is so pervasive."

Party officials condemn the corruption as a political, economic and social cancer eating away at the country and call for a return to the moral rectitude the Communists had when they came to power in 1949. Otherwise, the Communists may face the same fate as the rival Nationalists, party leaders say.

"Certain cadres flagrantly ignore party discipline and the laws of the country, using the power entrusted to them to feather their own nests," Hu Yaobang, the new party chairman, declared in a speech in September. "Sometimes they go as far as to ask for gifts or accept bribes from foreigners. Their disgraceful conduct also disgraces our country."

Mr. Hu, a close associate of Deng Xiaoping, China's paramount leader, has made corruption a high-priority target since taking over the chairmanship in June.

Like most Chinese officials, he sees it as a throwback to China's long period of feudalism when power was used for personal ends. Mr. Hu also attributed the growth of corruption to the lifelong tenure that most government, party and military officials have, according to accounts of a meeting of party leaders in July.

But a Shanghai sociologist who has studied corruption there and in other Chinese cities contends that it is in fact the "glue that holds us together." He argues that the party's real failure is not so much in preventing corruption as in establishing a political, economic and social system that works without it.

"If central planning worked effectively, the enterprises would not need these procurers who search for materials and machinery with big-expense accounts, and salesmen would not be negotiating kickbacks to store managers to take unwanted goods," he said, asking that his name not be used because of the subject's political sensitivity.

The People's Daily said in a recent editorial that, when added together nationwide, the payoffs amount to hundreds of millions of dollars a year and are cutting deeply into the profits the enterprises are supposed to hand back to the state. Tax evasion alone, another commentary said, probably exceeds $1 billion a year.

Reformers are trying to attack corruption as a system, but are finding the job immense and daunting.

U.S. Said to Have Helped Japan Hide Wartime Death Experiments

By Philip J. Hilts
Washington Post Service

WASHINGTON — During World War II, the Japanese experimentally killed about 3,000 human beings, including U.S. prisoners of war, with biological weapons, and the U.S. military establishment made a secret arrangement with the Japanese to hide the experiments, according to an article in the current issue of the Bulletin of the Atomic Scientists.

The Americans entered into the agreement, which included arguments in favor of granting immunity from war crimes prosecution to the responsible officers, so that the United States could make use of the results from the tests, the article's author says.

The victims were used as experimental animals and eventually killed in Japanese biological warfare experiments, which included employing massive doses of plague, anthrax and smallpox germs. The Japanese also killed by other means, such as radiation poisoning, pumping victims full of horse blood or cutting them up while alive, the article says.

John Powell, the author, quotes half a dozen documents on the secret bargain between the responsible Japanese and U.S. military authorities. Mr. Powell said he obtained numerous documents on the arrangement from the Defense Department through requests under the Freedom of Information Act.

Those official records indicate that the Americans who made the bargain were aware that U.S. soldiers were killed in the experiments, the article says, thus raising "disturbing questions about the role of numerous highly placed American officials at the time."

The Army had no comment on the report.

There is apparently no good estimate of the number of Americans involved in the experiments, nor any names. Mr. Powell speculated that the military did not want to press any such questions for fear that the whole matter would become public.

Previous reports during the years have confirmed the existence of a very sophisticated Japanese biological warfare program, as well as a large number of casualties in the three Japanese camps where the work was carried out under the direction of Japanese Lt. Gen. Ishii Shiro.

A secret cable from Tokyo to Washington on May 6, 1947, relayed Gen. Ishii's offer to supply full information about the experiments in return for guaranteed immunity against trial for war crimes.

According to the documents quoted by Mr. Powell, the information obtained from Gen. Ishii was "invaluable" and could not be obtained in any other way by the United States "because of scruples attached to human experimentation." The documents also argued that the information was cheap, costing "a mere pittance compared with the actual cost" to the Japanese of carrying on the work.

A later memo by two American officials, Dr. Edward Wetter and H.I. Stubblefield, said that Gen. Ishii was beginning to supply the desired materials, including "selected samples of 8,000 slides of tissues from autopsies of humans and animals subjected to BW [biological warfare] experiments."

The memo said that "since any war crimes trial would completely reveal such data to all nations, it is felt that such publicity must be avoided in the interests of defense and national security of the U.S."

A large variety of experiments apparently were carried out on the prisoners. In some cases, after a prisoner was infected, the disease was allowed to run its course for some time and then the prisoner was "sacrificed" so that an autopsy could be done to see the extent of the damage caused by the biological agent.

A report in December, 1947, from Edwin V. Hill, chief of basic sciences at Camp Detrick (later Fort Detrick), Md., noted the great value of the results of the experiments and said of the Japanese: "It is hoped that individuals who voluntarily contributed this information will be spared embarrassment because of it and that every effort will be taken to prevent this information from falling into other hands."

Another memo, from U.S. headquarters in Tokyo, said the advantages of granting the Japanese "immunity from war crimes" was that it would "result in exploiting 20 years' experience of the director, Gen. Ishii, who can assure complete cooperation of his former subordinates."

New Activity Reported At Mount St. Helens

United Press International

VANCOUVER, Wash. — Scientists have confirmed that Mount St. Helens has begun its sixth nonexplosive eruption of the year.

Kathy Cashman of the U.S. Geological Survey said observers reported that the activity included the growth of a new lobe of magma on the north side of the lava dome in the volcano's crater.

The Associated Press

MILITARY REVIEW — Japanese Premier Zenko Suzuki, standing in car, reviewed troops on Sunday during Japan's Self Defense Forces military parade in Asaka, north of Tokyo.

Son Sann Rules Out Taking Part in United Cambodian Opposition

Reuters

BANGKOK — Former Premier Son Sann of Cambodia has dissociated himself from a Cambodian administration-in-exile being forged by three anti-Vietnamese resistance factions, Western diplomatic sources said Sunday.

But they said Mr. Son Sann's party, the Khmer People's National Liberation Front, would continue negotiations on forming a political union with Cambodia's deposed Khmer Rouge government and the party led by Prince Norodom Sihanouk, the former Cambodian head of state.

The three groups held their eighth meeting Saturday in Bangkok and later announced that they had agreed on four political principles put forward by the Khmer Rouge for equal power-sharing and decisions by consensus. A list of ministries to be created was drawn up and will be discussed at their next meeting, the sources said.

Son Sann's Demands

Mr. Son Sann had demanded a majority of portfolios in any coalition, and diplomatic sources said his failure to achieve this was a major reason for his decision to pull out.

Another reported area of disagreement involved demands by Mr. Son Sann's party that the Khmer Rouge institutions, including the presidency and the National Assembly, be dismantled and that the Khmer Rouge leadership step down.

The groups agreed Saturday to retain the structure of Democratic Kampuchea, as the country was known under Khmer Rouge rule. The Khmer Rouge — and not the Vietnamese-installed regime of Heng Samrin, which has succeeded it — is recognized by the United Nations as Cambodia's legitimate government. But the Khmer Rouge regime, led by Pol Pot, was internationally condemned for mass killings during its rule from 1975 to 1979.

"Son Sann will not take part either in the coalition or in any other institutions under Democratic Kampuchea," a diplomatic source said. "He does not want to be seen as collaborating in any way with the Khmer Rouge."

Kissinger's View

In Singapore, Henry A. Kissinger, the former U.S. secretary of state, called Sunday for increased U.S. support for non-Communist Cambodian resistance forces, but he cautioned against making it "a primarily American enterprise."

Mr. Kissinger spoke at a press conference after a series of meetings, mainly on Indochina, with leaders of the Association of Southeast Asian Nations (ASEAN) in Jakarta, Kuala Lumpur and Singapore during the last few days.

He said Washington should follow ASEAN's lead on Cambodia and "take very seriously what they may recommend." The ASEAN countries — Thailand, Indonesia, Malaysia, the Philippines and Singapore — have supported the formation of a common resistance front including the Khmer Rouge.

"I consider the Khmer Rouge fundamentally genocidal murderers," Mr. Kissinger declared Sunday. "But the Vietnamese are a great security threat to the area, and one sometimes has to make practical arrangements with people whose moral values one does not share."

But he also declared that if the current efforts led to the return of Khmer Rouge rule in Cambodia, it would not be acceptable to the American people.

Vietnamese Who Fled to China Complain Of Repression Under Hanoi Government

New York Times Service

PEKING — In September, 10 Vietnamese squeezed into a U.S.-made Vietnamese Air Force helicopter and flew across the border into China's Guangxi Zhuang Autonomous Region, explaining to surprised Chinese frontier guards that they were unhappy with life at home.

The helicopter flight on Sept. 30 was not reported here until a week later, after there had been time for interrogation of the Vietnamese. Subsequently, Chinese authorities produced four of them, including the helicopter pilot, at a news conference.

The four identified themselves as 2nd Lt. Khieu Than Luc, the pilot; Warrant Officers Hoang Xuan Doan and Le Ngoc Son, and Duong Van Loi, an architectural engineer. They divulged only a few details of their flight.

'Sign of Cooperation'

When their craft crossed into Chinese airspace, they hung white flags from both doors as a "sign of cooperation" so they would not be fired upon. In plotting the escape, the Vietnamese said, they did not tell their families for fear there would be a leak. They chose China as their destination because the airfield where they started their flight was within range of the border and their helicopter.

But they sidestepped questions about where they had taken off and landed, how they had planned the operation and who were the six others with them. Instead, with Chinese encouragement, they talked about low morale and repression in Vietnam and about Vietnamese atrocities in Cambodia.

China has taken in more than 250,000 refugees from Vietnam, mostly ethnic Chinese. They have been resettled on state farms and in fishing villages in areas adjoining Vietnam.

Failed Attempt

At the news conference, Lt. Luc, the pilot, contended that most Vietnamese wanted to leave the country because they were miserable, but did not dare. In late July, another Vietnamese second lieutenant tried to fly his plane from Da Nang to China but failed, and two weeks later was condemned to death, he said. He said he knew of several other hijacking incidents in Vietnam since 1975.

Mr. Doan, one of the warrant officers, said he had flown medical evacuation missions in Cambodia, where he had learned of Vietnamese atrocities against the rebels. He contended that the Vietnamese Army was meeting fierce resistance in some areas.

While the four said they had flown to China partly because they expected a friendly reception, Lt. Luc avoided saying whether they wanted to settle in China.

U.S. May Continue Tests on Atoll

By Robert Trumbull
New York Times Service

HONOLULU — Landowners of Kwajalein Atoll, whose property has been used by the United States for missile tests for nearly 20 years, have been told by a Washington consultant that the Department of Defense may continue using the test site for the next decade or two.

The consultant reported to the Kwajalein Atoll Corp., which represents the landowners, that information provided in Washington by military and congressional sources showed the operations at the atoll yielded vital data on the accuracy of missiles and on weapons deployment. An American adviser to the islanders said here that their leaders were surprised by the report on the site, a high security area.

The landowners, who number about 5,500, are engaged in litigation against the United States for redress of what they consider inadequate compensation for the military use of their lands in the past. Under the custom prevailing in the Marshall Islands, of which the atoll is a part, land is communally owned and is administered by hereditary chiefs.

In 1964 the chiefs accepted a one-time payment of $750,000, or about $1,000 an acre, for the use of their land by the Defense Department for 100 years dating from 1944, when U.S. forces captured the atoll from Japanese forces in World War II. A new agreement in 1979 raised the figure to $8 million a year.

The islanders are asking, in effect, that the 1979 terms be made retroactive to 1944 and that the United States pay about $284 million, but there are indications that this is a negotiating figure.

'Highly Unlikely'

The 1979 agreement officially expired at the end of last month, and the landowners are threatening to refuse to renew it unless the United States takes up their demands.

The Defense Department, the consultant's report said, is "highly unlikely" to close the Kwajalein missile range in this decade and "probably not in the next."

The report said a budget allocation of $140 million for operations in the current fiscal year, an increase of 60 percent since 1979, reflected an enhanced concern with the missile technology tested at Kwajalein.

Quoting congressional staff sources, the document said that a possible alternative range for testing the new MX missile would supplement, not supplant, the functions performed at Kwajalein. The consultant's report pointed out that the special physical qualities of the atoll, making it ideal for missile testing, would be difficult to duplicate elsewhere in the Pacific.

Kwajalein is under U.S. jurisdiction as part of the Marshall Islands, a subdivision of the U.S.-administered United Nations trust territory of the Pacific Islands, also called Micronesia, which embraced territories taken from Japan by the United States as a result of World War II.

Terms for the continued U.S. use of Kwajalein are among the issues now being negotiated by the Reagan administration and Micronesian leaders in preparation for ending the trusteeship.

Venturesome American Reworks An Old Gold Mine in Zimbabwe

By Jack Foisie
Los Angeles Times Service

GATOOMA, Zimbabwe — Matt Franjola of New York City has always had a sense of adventure, and it was this that brought him to an abandoned gold mine just up the road from here.

He arrived 18 months ago. Since then, learning as he worked by talking with old-timers in Gatooma, he has gradually made a success out of Frog Mine.

"It's an old mine, and I guess the name comes from having a lot of frogs croaking all summer," he told a visitor. "We're lucky to have the only water around. That's why it was a guerrilla base camp during the war."

Mr. Franjola, 39, a former Associated Press foreign correspondent, referred to the seven years of guerrilla warfare against the white government of what used to be Rhodesia, and which became Zimbabwe last year after the majority blacks came to power.

It took Mr. Franjola six months to get the mine into operation. He has not reopened the shafts. For now, he is reworking the leftover tailings brought out by earlier miners. "There's still a lot of gold in that dump," Mr. Franjola said.

The early miners worked only the rich pay dirt, he said, adding: "It was called "mining the eye.' "

Mr. Franjola said his predecessors did not take the time to run through the chemical process needed to separate pay dirt from plain dirt.

So six days a week, and sometimes on the seventh as well, Mr. Franjola and his 14 workers move 60 tons of tailings from the dump to a series of large tanks, where the gold specks are separated out and caused to congeal. The congealed material is dried and smelted and the molten mass is poured into a cone-shaped mold.

After it cools, it is removed from the mold and given a rap with a hammer. The slag falls away and what remains is a piece about three inches high and the size of a child's old-fashioned spinning top. It is gold.

"Not pure gold, of course," Mr. Franjola said. "The purity is about 50 percent to 78 percent."

He takes his pieces to the bank, where the refining is carried a step further, and his account is credited with the value of the amount of pure gold he has produced. Based on the current world gold price, this is about $423 an ounce.

From this he must deduct his costs, which he estimates at $175 an ounce. Also, he pays 5 percent of his gross earnings to the owner of the mine, a widow, under the terms of his lease.

Mr. Franjola is using much of his profit to explore another claim, 12 miles away in rough, remote country. He has additional financial backing from a Canadian company.

His earnings at Frog Mine vary from month to month because the operation is frequently slowed by breakdowns in equipment and other problems. On one recent day, a swarm of bees drove the workers away for several hours.

Based on the amount of gold he has already extracted from the tailings, Mr. Franjola estimates that there is about $500,000 worth of gold left in the dump.

"It's been rewarding, it's been satisfying," Mr. Franjola said, using the sleeve of his ragged shirt to wipe the sweat off his deeply tanned face. "I wanted to see if I could succeed as a small worker," he added, using the local term for independent miners.

"I've had to learn engineering and metallurgy," he continued. "To my workers, and to the squatters who have moved in around the mine, I'm the law, the doctor, the banker, the transporter. I've learned African history and I've gotten to know the African."

Zimbabwe Strips Smith, Others of 'Honor' in Titles

The Associated Press

SALISBURY — Rhodesian Prime Minister Ian Smith and members of his Cabinet are no longer "honorable" men, according to a presidential warrant.

The title, kept intact 18 months ago when Rhodesia became Zimbabwe, no longer applies to former presidents, prime ministers, judges or Cabinet ministers who had served at least three years, a government notice said Friday.

President Canaan Banana, Prime Minister Robert Mugabe, high court judges and heads of Parliament remain "honorable" under the edict.

Mr. Smith and his 19 white legislators in the 100-member National Assembly have increasingly come under fire from Mr. Mugabe and his ruling Zimbabwe African National Union for allegedly seeking to undermine the black majority government.

More Use of Satellites Urged at Unesco Talks

The Associated Press

PARIS — Communications specialists from 44 organizations have ended a meeting at Unesco with recommendations for expanded use of satellites and reduced telecommunication rates to improve the flow of information between nations.

Avoiding to a large extent the media issues that have plunged the Paris-based UN Educational, Scientific and Cultural Organization into controversy, participants in the Symposium on Regional and International Mechanisms for the Dissemination and Exchange of Information called Friday for urgent action to put their proposals into effect.

Among the proposals adopted was one calling for an annual conference of international, regional and national news agencies to enable them to develop the close coordination that exists among broadcasters who meet more frequently to discuss their concerns and problems.

Satellite Study

A unanimous recommendation by a joint working group of broadcast, telecommunication and news agency representatives called for a study of the feasibility of permanently leasing capacity on international satellites for information exchange.

The delegates, from industrialized and developing countries, also recommended the establishment of ground communications infrastructures at a price developing nations can afford.

Makaminan Makagiansar of Indonesia, Unesco's assistant director-general for communications, called the recommendations bold. He said that the organization was ready to do all it could to carry them out.

The chairman of the four-day meeting, Spencer Moore of the Canadian Broadcasting Corp., urged a "hard look" between now and the next meeting, in 1983, to see if "a communications system joining different parts of the world can be developed in a manner we can afford."

Tariff Problem

The recommendations will be submitted to the second meeting of Unesco's International Program for the Development of Communications, which starts Jan. 18 in Acapulco, Mexico.

Several speakers pointed to the high cost of telecommunication tariffs as perhaps the biggest obstacle to promoting a free flow and wider exchange of information within developing countries and between them and industrialized countries.

They urged systematic steps within their own countries to persuade governments and postal and telecommunication authorities to reduce these tariffs.

There were suggestions for greater cooperation in development of television program exchange and calls for studies by Unesco on inequalities in the distribution of films.

24 News Agencies To Set Plans for Mutual Exchange

The Associated Press

KUALA LUMPUR — Twenty-four news agencies from 21 nations will meet here this week to lay the groundwork for what they hope will be an international news exchange modeled on the current exchange of news among the four agencies in the Association of South-East Asian Nations.

The meeting is the 5th General Assembly of the Organization of Asian-Pacific News Agencies. The general manager of the Malaysian national news agency Bernama, Ahmad Mustapha Hassan, said the agency will be known as the Asia-Pacific News Network, which will eventually appear in newspapers under the logo ANN.

The exchange has been devised to overcome financial, administrative and other problems that could be faced if it is to be launched as a full-fledged international news agency, officials of the organization explained.

Under the ASEAN News Exchange, begun June 18, 1980, Bernama and agencies in Indonesia, the Philippines and Thailand regularly send news to each other.

M'Bow's Position on Code

UNITED NATIONS, N.Y. (AP) — Journalists should develop their own international code of conduct, Amadou-Mahtar M'Bow, the Unesco director-general, has stated.

Speaking at a press briefing Friday, Mr. M'Bow would not say whether the code of conduct being sought by Unesco — and strongly opposed by Western news organizations — would stifle the free flow of news. "It's not for me to judge this problem," he said, explaining that Unesco has a special committee to examine such complaints.

"I believe it is among journalists themselves to determine the conditions and moralities under which, if they think it is necessary, they can elaborate a code for themselves," he said.

A Unesco spokesman, Joseph Mehan, commented later that Mr. M'Bow's remarks did not constitute a shift in the Unesco position, which he said has always been to remain solely the "implementing agency" for such a code.

BBC Guide Doesn't Split Hairs on Infinitives

By William Borders
New York Times Service

LONDON — The British Broadcasting Corp., which takes very seriously the task of teaching the English how to speak, has just published a 40-page guide to pronunciation, diction and grammar.

The book, "The Spoken Word," was specifically designed for the network's broadcasters, who are much maligned in a country where words are regarded with great respect. But the Beeb, as it is called, is also offering copies to the public for the equivalent of $3.50, and sales are reported to be brisk.

Although the book was written by Robert Burchfield, chief editor of the Oxford English Dictionaries, it is often surprisingly lenient. Citing a sentence of Graham Greene's as a precedent, Mr. Burchfield declines to forbid absolutely the use of "like" as a conjunction. Noting in another section that the English have been splitting infinitives "since at least the 14th century," he advises:

"Avoid splitting infinitives whenever possible, but do not suffer undue remorse if a split infinitive is unavoidable for the natural and unambiguous completion of a sentence already begun."

The BBC asked Mr. Burchfield to write the book two years ago after a barrage of complaints from the public, which it described as "an upsurge of public interest in the way BBC Radio handles the English language."

The book reflects this criticism. It reports, for example, that the use of the word "situation" with a preceding noun ("a crisis situation") is "heard with increasing dismay and resentment by many listeners," and it says that the error of confusing "disinterested" with "uninterested" "attracts more unfavorable comment from listeners than any other word, with the possible exception of 'hopefully.'"

But Mr. Burchfield does not pander to the public. The use of "alternative" to mean one of several possibilities, instead of simply one of two, is "vigorously resisted by listeners but impossible to avoid in many contexts," he says.

On the other hand, he is vigorous and definite in his condemnation of such clichés as "scenario," "at this point in time" and "no way," Americanisms, he says, that have crept into English speech.

When Mr. Burchfield was researching the book, some words gave him particular problems. How, for example, to pronounce the first syllable in "economic"? He telephoned Sir Alec Cairncross, a government economist, who replied:

"Sometimes I pronounce it 'ECK-onomic,' and sometimes I pronounce it 'EE-conomic.'" The book leaves the choice to the reader.

In a footnote on another troublesome word, "hegemony," Mr. Burchfield notes a bit disapprovingly that "throughout the present century, the pronunciation has been unstable."

Throughout it all, he takes a soothingly long historical view of the evolution of language, noting that it has survived other disruptions considerably more serious than whatever may be happening to it now.

As examples, he cites the loss of grammatical gender in the early Middle English period and the great vowel shift at the beginning of the 15th century, when nearly every vowel changed ("hoose" became "house," and "gose" became "goose").

He concludes, "Any argument based on the assumption that the changes occurring in the English language in Great Britain at present are more serious or more objectionable than those that have occurred in the last 1,200 years is almost certainly false."

BL Is Struck; Workers To Vote on New Offer

Reuters

LONDON — State-owned BL has reached an agreement with union leaders that is designed to end a strike at the automaker that began Saturday by its 58,000 workers. Management has said that the strike could destroy the company.

The settlement, worked out during 13 hours of talks in London, came too late Saturday night to avert the strike, which began at midnight. Picket lines formed outside some BL plants Sunday.

The workers are to hold meetings Tuesday to consider the agreement. On Monday, 50,000 men are due to report for work.

The settlement provides for improved productivity payments. Management, however, did not increase its basic offer of a 3.8 percent raise, the issue that prompted the strike.

If the proposals are rejected, BL's chairman, Sir Michael Edwardes could still carry out his threat to start liquidating the company.

Picket lines were set up outside the BL factory in Cowley, near Oxford. At Longbridge, in Birmingham, workers went to work to shut boilers in preparation for the stoppage.

Many of the workers on the picket lines reacted angrily to the news that they would be asked to vote on the agreement on Tuesday.

"This is what we feared might happen: wavering at the top at the last minute," a worker said.

"It looks as if we are going to be sold out," said another. "We are standing here for more money but money wasn't mentioned in the announcement."

Losing Money

BL been losing money for several years and has been kept afloat by government aid worth nearly £1.7 billion (approximately $3 billion) since 1975.

In the four years since Sir Michael took over, he has eliminated 72,000 jobs, closed 20 factories and introduced a number of new models. He has won every previous confrontation with the unions in his quest to make BL profitable.

Although his methods have considerably improved BL's prospects of recovery, workers say they are weary of making sacrifices.

They have accepted single-figure pay rises for the last three years while inflation has been running between 11 and 22 percent.

But most are aware that the collapse of BL could mean the loss of up to one million jobs in British industry at a time when there are almost three million people unemployed — more than 12 percent of the workforce.

Prime Minister Margaret Thatcher has refused to intervene in the dispute and has made it clear that, if BL's management believes that the company is not viable, the government will accept that decision.

If the current crisis is resolved, Sir Michael is likely to go ahead with a recovery plan that was shelved because of the strike. The plan involves spending £540 million in government aid and aims to make the firm profitable by 1983.

Body Is Found on Everest

United Press International

KATMANDU, Nepal — A U.S. medical expedition to the top of Mount Everest said Saturday that it had discovered the body of a West German, Hannelore Schmatz, embedded in ice on the upper slopes of the mountain. The woman fell to her death two years ago.

Socialist Victory Reverberates Through French TV, Radio

By Richard Eder
New York Times Service

PARIS — The advent of the Socialist government of François Mitterrand has nowhere produced a larger political and psychological displacement than in the tightly held and troubled domain of French radio and television.

For example, radio listeners who got up early one day recently heard a commentator calling on workers in industries designated for nationalization to be "vigilant" in case the present owners tried to reduce stocks. The commentator, Michel Cardoze, is a Communist journalist just named to the job.

When a prime-time television debate between Nationalizations Minister Jean le Garrec and several businessmen turned into nonstop mutual interruptions, the moderator sternly if ineffectually rebuked both the minister and his opponents.

A television news team, instructed to get out of the usual Paris studio talking-heads format, found itself more or less at sea in a Nantes housing project, broadcasting aimless passer-by chatter for the noon news program.

A group of Socialist broadcasting unions called for a wider purge of broadcasters who had been prominent under the previous government. L'Unité, the official Socialist newspaper, made the same point, in effect.

"The Sorrow and the Pity," Marcel Ophuls' documentary about French attitudes under the German occupation, was shown last week on French television. Made 10 years ago and shown in movie theaters and on television around the world, it was boycotted by television here because of its embarrassing revelations of the degree to which the occupiers were accepted.

Some of these things — the moderator and the minister, for example — would hardly seem startling in some other countries. But French broadcasting, and particularly television, has been one of the more buttoned-up systems in the West. There is an air of seamless control — lots of authoritative commentary wrapping up each vagrant pictorial image — whether it is the day's news, running a panel discussion, or even the weather.

There has also been a noticeable air of respect for the powers that be. For 23 years the powers have been roughly on the same conservative side of the French spectrum. There have been moments of experimentation in broadcasting, but these have not lasted and when they were ended the experimenters usually found themselves out of a job.

The government names the key members of the directorate of each of the three television chains and the main radio network. Through these it has the power to decide who will be the chief executive of each body and consequently to influence the choice of editorial personnel.

The power has been exercised with general, though not uniform, thoroughness. Under President Valéry Giscard d'Estaing there was a mixture of independence and intervention. This spring's election campaign, resulting in Mr. Mitterrand's victory, was covered with what by French tradition, at least, was reasonable balance.

Nevertheless there is a general conviction that French broadcasting badly needs more energy, more originality and above all more freedom.

After 23 years in which they had been more or less penalized by the government's sharp elbow on broadcasting, the Socialists came to power with a commitment to free it. A commission is working on proposals for a new system.

Meanwhile, the heads of the three television chains and state radios were replaced, generally against their wishes, and many of the top news executives were rotated. The purge caused wide controversy and genuine anguish, even among the government's press supporters. Such pro-Socialist papers as Le Monde, Le Matin and Libération have expressed more doubts about the government's actions in broadcasting than about almost any other subject.

On the other hand, even critics conceded that the matter was complex. For one thing, until some less political fashion of running television is devised, it was probably inevitable that the Mitterrand government should be unwilling to keep the political appointees of its predecessor.

For another, the new choices were, by and large, not party people but independents with highly respected professional credentials. Some, in fact, had lost their jobs under previous governments for insisting on their independence. A number of militant Socialists have been complaining both about the appointments and about the major figures left in place, such as Jean-Pierre Cavada, the news director and anchorman of the first television chain.

Mr. Cavada was accused of excessive subservience to the previous administration, but he is an energetic and respected journalist, and Mr. Mitterrand reportedly insisted that he be left in place.

L'Unité has started a campaign to remove him. It is also directing its fire against Pierre Desgraupes, a veteran broadcaster who was demoted under President Georges Pompidou and has been brought back to head the second television chain.

Mr. Desgraupes has a reputation for talent and for ferocious independence. He has steadily ignored suggestions from the presidential palace, including one proposing a news director.

By and large, press and broadcasting circles give the government credit for its libertarian intentions, even if some of Mr. Mitterrand's associates seem to believe that a Socialist victory calls for a pro-Socialist broadcasting system. On the other hand, they wonder whether the intentions will hold up.

"They have been speaking about freedom for 23 years," the newly appointed head of a television chain said privately the other day. "It has become a part of their discourse, and something must still be there. But whether it lasts, I don't know. When things get tough, will Mitterrand really stand for television attacks? He may not be able to resist his temptations."

The whole issue came sharply back into focus a month ago when the Socialist Party held its congress in the town of Valence. Georges Fillioud, the minister of communication, and Claude Estier, editor of L'Unité, angrily attacked the radio and television as showing "anti-Socialist" attitudes. Mr. Estier attacked several opposition papers as well, urging in the case of Le Quotidien de Paris that Socialists refuse to write for it.

These attacks were indirectly deplored by other Socialist leaders and criticized by virtually the entire press. Some newspapers saw in it evidence of dictatorial tendencies; others limited themselves to calling the speeches ill-advised and hotheaded. The paradox escaped nobody that, only a few weeks earlier, the heads of the maligned television and radio stations had been maligned from the right for being Socialist-appointed.

Oslo Gift to Palestine Fund

Reuters

AMMAN, Jordan — Norway has contributed $850,000 to the UN Relief and Works Agency for Palestine Refugees, bringing its contributions for the year to $4.65 million, the agency announced Sunday.

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post

Page 6 Monday, November 2, 1981

Reagan on Fahd's Plan

It was just a small slip — but was it an indicative one? President Reagan, exulting on Thursday over his AWACS victory in the Senate, spoke a few tentatively approving words about a plan offered by Saudi Arabia's Crown Prince Fahd last August. It would, he said, "recognize Israel as a nation to be negotiated with."

One can note with some puzzlement in the first instance that it is not the Saudis who are finally saying a kind word about the American Mideast plan, which they continue to work to spoil. It is the Americans who are finally saying a kind word about a Saudi Mideast plan, after having spoken only cool words about it for months. There seems no reason for this. In fact, what Mr. Reagan said about the Saudi initiative — that it would "recognize Israel as a nation to be negotiated with" — was disconcerting precisely because that is what the plan would not do, and this failure is its chief defect.

There is nothing at all in the Saudi plan that would amount to recognizing Israel in a diplomatic sense. Such "recognition" as the Saudi statement did confer involved, according to a Saudi Embassy press release, one reference to "Israeli withdrawal from all territories occupied in 1967" and another saying: "The Israeli arrogance which Menachem Begin represents [in] its ugliest picture should be put to end." The plan's call "to reiterate the right of the states in the region to live in peace" can be extended by inference to cover Israel, but only by inference.

Nor is there a word in the plan suggesting that the Saudis see Israel as "a nation to be negotiated with." On the contrary, the means by which the Saudi plan is to unfold is not negotiation but American imposition: "The United States should cease its unlimited support of Israel." This plan is not presented by the Saudis as a plan for peace, which presumably is in the mutual interest of all countries of the area, including Israel. It is presented as "a detailed plan for a peaceful settlement of the Palestine question," that being the lone half of the Arab-Israeli dispute to whose solution the Saudis are publicly committed.

In brief, President Reagan's remarks on the Saudi plan seem to represent a total misreading. Can this represent his considered view? If so he is willingly leading the Saudis to believe that they do not need to exert themselves much more for the cause of Middle East peace, since the president appears to be adopting their diplomatic line. This, in turn, may convince the Israelis, who are in a black mood anyway on account of the death of Anwar Sadat and their own defeat on AWACS, that their nightmare of American abandonment is finally coming to pass. Those two developments are a prescription for rigidity and stalemate — at best.

Mr. Reagan needs to be careful and to turn his attention from hardware to diplomacy. The Saudi plan could yet become an instrument of great diplomatic value: Not only are the Saudis a power in their own way; they also reach out to the Americans on one side and the Palestinians on the other. At the moment, however, the Saudi plan is a limited and in some ways disagreeable formulation. It will take time and delicate tending and serious American application to make it something more.

The Israelis are reeling, and it will be very hard for the United States to give them the reassurances that will at least partially compensate. For the most part, they will have to find their own balance. What they need least is to see Ronald Reagan, even while he sends them messages of eternal fidelity, casually dealing away the United States' negotiating cards. The whole thrust of American diplomacy, where the Arabs are concerned, ought to be to induce the Saudis, the Palestinians and the others to "recognize Israel as a nation to be negotiated with." That is the way to the only kind of peace the United States could conceivably ask Israel to join.

THE WASHINGTON POST.

A Taxing Shell Game

Though the occasion attracted little attention, the Reagan administration last week unveiled the final and most miraculous phase of its economic plan for the country.

Phase One, it will be recalled, followed the supply-side prescription for economic recovery: Tax less so people save and invest more, thus stimulating growth. Phase Two was to get Washington off people's backs and let states and local governments look after domestic needs. The next step was to answer the question of where they would get the money. What revenue stream would Washington relinquish for them to tap instead?

Now Norman Ture, a Treasury undersecretary, has revealed the answer. The cut in federal income taxes, he noted, makes new billions available to state and local taxation — available, that is, if governors and mayors have the nerve to try to tap it.

That is a puzzle and a contradiction, but not an answer. Either the tax cut is intended to leave more money in private pockets, and thus stimulate the economy; or it means there is more money for state and local governments to take out of private pockets so as to pay for public services. Unless it wishes to be regarded as cynical and insincere, the administration cannot have it both ways.

Last spring President Reagan told some county officials that, like Martin Luther King, he had a dream. To compensate them for assuming prime responsibility for welfare and other programs, he contemplated turning back tax sources that Washington had pre-empted. Now, Ture says, the mission is substantially accomplished. The three-year, 25-percent cut in federal personal income taxes will by 1984 provide states with an average of $2.24 billion in new taxing room.

Does the president really want states to pursue this source? Obviously not, if that would torpedo his recovery plan. No matter what one thinks of other aspects of the Reagan program, his brand of federalism looks suspiciously like a shell game, whose only sure losers are the poor.

The administration's concept of federalism turns on Reagan's conviction that the units of government that spend taxpayers' money should answer directly to those who pay taxes. He also says he knows that states cannot cope with added social welfare responsibilities unaided. But last summer's cuts were deeper than expected, and they aren't the last. Instead of absorbing welfare, Medicaid and food stamps, White House planners talk of dumping more of the burden on states.

What chance, realistically, have states to finance mounting social welfare obligations with higher taxes? A beleaguered state like Michigan, its automotive industry in trouble, finds ever more people dependent on unemployment, welfare and other social programs; just when it needs more help it gets less.

What should a resident of Detroit do as a result? For Ture, that's easy: Move. "You decide where you want to live," he says. That means Americans who don't have much choice about where to live are left stranded. Washington, able to help, has become unwilling. The states, willing for the most part, are not able. Reagan may consider his vision of federalism a dream; to America's needy people and communities, it's a hoax.

THE NEW YORK TIMES.

On Measuring Inflation

The Consumer Price Index is probably the most influential statistic that the government publishes — and it is notoriously inaccurate. Over the past year it has produced a measurement of inflation that is too high by about 20 percent. Nearly one-third of the federal budget, including Social Security and all the other pensions, is directly geared to the CPI by law. Directly or indirectly, more than half of the budget is affected by it. Mismeasurement of inflation, by the most widely used indicator, has serious implications throughout both the public and private economy. Janet L. Norwood, the commissioner of labor statistics, has decided that now is the time to fix it.

The main source of inaccuracy lies in the way the CPI tries to measure the cost of housing. Housing has a double meaning in the economic life of most families. It is not only shelter, but also an investment asset like shares of stock. People buy houses not only to get in out of the rain but to put their money in the one kind of asset that has seemed to stay ahead of inflation. But the CPI is supposed to count the cost of things that people consume — in this case, shelter.

The way to track shelter costs is by following the rents that people pay, or would pay if they rented. That can make quite a difference. From August to September, the CPI in its present form rose 1.2 percent. Under the alternate formula, using rental value, it would have risen only 0.8 percent.

There is already a very audible lobby against this change, led by some of the unions and Social Security recipients who benefit from the overstatement of inflation. But this change may serve them better than they think. If the prices of houses should level off or fall under the weight of high interest rates, a CPI based on rentals would rise faster than the present one. Thus, reforming the statistical method will not necessarily save the government money.

THE WASHINGTON POST.

Nov. 2: From Our Pages of 75 and 50 Years Ago

1906: Poles Defend Language

WARSAW — For some time past the Prussian government has been trying to stamp out the use of the Polish language in Poland. It gave orders that religious instruction in the schools is to be given in German. This decision roused great opposition, and led to a strike of the schoolchildren, who refused to answer in German. A mass meeting of Polish parents in Posen sent this telegram to Dr. von Studt, Minister of Public Instruction: "Polish children are being locked up for carrying out the orders of their parents not to take part in religious instruction given in German. We, their fathers, take upon ourselves full responsibility and request the immediate abolition of this uncivilized punishment."

1931: The Gloom in America

PARIS — America, suffering from a psychoneurosis caused by business depression, believes itself far worse off than it really is, in the opinion of Dr. Edmond Gros, chief-of-staff of the American Hospital of Paris, who, on his return here yesterday, gave his impressions of a 10-week tour in the United States. "I found everywhere on my visit that the depression is the leading topic of conversation in America today," said Dr. Gross, who landed at Cherbourg. "People of all classes and all professions seem to have lost heart in the proper occupations and are morbidly concentrating on the economic crisis. As a physician, viewing this condition, I would say that these people are pathological cases."

Why Baby Doc's People Keep Sailing Away

By Ben Barber

BOSTON — Along the Haitian coast north of Port-au-Prince, the primitive wooden fishing boats are beached every night, their painted sails furled. The boatsmen, as they gaze oceanward, now must ponder the new odds against a successful 600-mile trip to Florida: Haitian police patrol the beach by night, Haitian naval vessels patrol offshore, and the U.S. Coast Guard is waiting to intercept them on the high seas.

On a Monday last month, 33 of their countrymen, half a boatload of refugees, were cast up dead on a Florida beach. But still the Haitians will come. Even if only half of those who set out make it alive, Haitians will continue to flee their island. Half a chance for a decent life is better than no hope at all.

In the streets of Port-au-Prince, radios blare cheerful rhythms of popular Haitian musicians who live in New York and Boston. The boat people are only following them and thousands of talented Haitians already in exile. They are fleeing not for merely economic reasons, as the U.S. State Department claims in justification for turning back the boats.

Since the Duvaliers took power in 1957 "it's like a Texas town where gunslingers rule," said Franz Minuty, president of the Cambridge, Mass., Haitian-American Association. "If you look at some guy the wrong way, if he doesn't like your face, he can kill you. There's no politics involved. It's just arbitrary terror. That's why people leave."

When Francois (Papa Doc) Duvalier ruled, people endured the terror because he was old and would eventually die. They did not count on his son, Jean-Claude, taking over at the age of 19. That was in 1971. Now life is worse than ever as world coffee and sugar prices fall, oil costs rise and the Duvalier dictatorship, with American endorsement and $40 million in assistance each year, seems destined to last longer than most Haitians can expect to live.

So they risk their lives to get out. An estimated 20,000 reached U.S. shores last year; the number who died en route is unknown.

The Duvalier government gets $140 million in foreign aid each year, but this isn't spent to improve living conditions for the people. According to 1978 United Nations statistics, Haiti is the country that spends the smallest proportion of its gross national product on education, 0.9 percent. Even

The prospect is for many more wooden boats full of desperate people taking the gamble on escape.

Uganda under Idi Amin spent 3 percent of GNP on education. So 80 percent of Haitians still cannot read or write.

One child in four dies before its fourth birthday. Erosion, deforestation, speculators, drought and the dreaded Ton-Ton Macoutes secret police undercut missionary and other efforts to help the poorest population of the Western Hemisphere.

Little of this is evident to the casual visitor. Haitians are open, cheerful and hospitable, and the streets are safe any time of day or night, even for a woman walking alone, a female U.S. Embassy staff member told me during my tour of Haiti last summer.

Yet the silence that greets any question of a political nature is a disquieting sign. Mention love, religion, food or music and you'll have a lively discussion. But on politics, which determines the division of wealth, the ability to form unions and political parties or the right to a trial, Haitians fall silent. They have been so terrified by the Macoutes that, even if Jean-Claude (Baby Doc) has eased the terror tactics of his father, as he and the State Department claim, no one wants to risk talking about it.

Last October, Sylvio Claude, a Christian Democratic magazine publisher, was among dozens of journalists arrested. He had printed an "insulting" criticism of Baby Doc, and was sentenced to 15 years at hard labor.

His brother, Wendell Claude, recently came to New York from exile in the Dominican Republic to appeal to governments that supply aid to Duvalier, including the United States, Canada, West Germany, Taiwan and Israel. Claude is urging them to cut off assistance unless Duvalier releases political prisoners, lets unions and political parties operate, and puts some of the aid money into rural health and education programs, improvements for agriculture and other needed services.

In Haiti's markets I saw bananas, rice and corn all priced about the same as in the United States. But the average income in Haiti is $260 a year, and 75 percent of the population is below the World Bank's "absolute poverty level" of $140 per year.

The official minimum wage of $2.64 a day, often reduced by labor contractors and taxes, leads nowhere. A man told me he had worked for six months assembling electronic components for export but could not afford to both rent a room and eat.

Poor farmers are inclined to do anything to scrape together the $5-per-month school fee to help their children escape a life sentence to poverty, but is it in President-for-Life Duvalier's interest to have an educated citizenry that would challenge his rule? He continues to resist foreign aid that would seed grass-roots improvements.

The Reagan administration considers Haiti, wedged between Cuba and the Dominican Republic, to be a staunch anti-Communist ally. Reagan's decision last month to have the Coast Guard interdict refugee boats is bound to give Duvalier the idea that America will not interfere with his policies. The likelihood, then, is many more miserable wooden boats full of desperate people taking the gamble on escape.

Mr. Barber, a writer based in Boston, contributed this article to the Los Angeles Times.

Japanese Have Good Reasons to Worry About World Peace

By James Reston

TOKYO — It's not too hard to get a tip here on why Japan is getting on in the economic world. All you have to do is watch somebody fix a car or mop a floor. Japanese seem to pay attention to every detail, as if they were surgeons.

They also pay attention to the future. Having done fairly well with autos and captured the fields of optics and electronics, they are now concentrating on the future of robotics and demonstrating it by marrying computers to industrial machines. Their belief is that the new computerized robots will probably transform industrial production and maintain their present advantages.

Yet despite Japan's rise from defeat in World War II to become the second or third biggest industrial nation of the world, the Japanese intellectual and political leaders seem vaguely anxious about the future and what role they should play in relation to the major military powers.

The Japanese will have a favorable trade balance with the United States this year of about $15 billion — the largest U.S. deficit with any single country in history. And they are so sure that they are far ahead in the development of robotics that they feel they will be able to compete for the foreseeable future with anybody.

Why then this lack of confidence? They have their own explanations:

• From the beginning of modern Japan its history has been dominated by wars, domestic and foreign. The 36 years since Japan's World War II surrender on Aug. 15, 1945, have been the only long period of peace in more than a century since the Meiji restoration in 1868, and the Japanese can't quite believe it will last.

• Yet their economic power depends on world peace, over which they have no control. They import almost 100 percent of their petroleum, bauxite, raw wool and cotton; 95 percent of their wheat; 90 percent of their coking coal and copper ore, and 70 percent of their timber and grain food. The more tension there is between Moscow and Washington and the more turmoil around the oil fields of the Middle East, the more the Japanese worry about their security.

As the only victim of atomic warfare, Japan has based its policy on "the three non-nuclear principles" — not to manufacture, possess or permit the entrance of nuclear weapons into the country.

The Japanese would like to see these principles applied as well to the Korean Peninsula, Southeast Asia and even Europe, but they rely on the protection of U.S. nuclear power and cannot agree on how to resolve this contradiction.

They are being urged to take a more active part in Washington's militaristic response to the Soviet challenge, but they are not convinced this will lead to the peaceful coexistence they want, and they fear it might even persuade the Russians to hold onto the Japanese northern islands, which have been reinforced by Soviet troops during the recent East-West tensions.

The Japanese have other problems. They see the Americans and the Russians apparently losing political influence as they gain more and more nuclear power.

They see the public demonstrations in Europe against nuclear weapons, and they fear that the Reagan policy of confrontation is not unifying the alliance or bringing about an accommodation of differences, but rather that it is dividing the allies and promoting nationalism, protectionism and even pacifism — which is precisely what Moscow wants.

Japanese leaders hesitate to come forward with proposals of their own to deal with these tangles. It is hard for a visitor to figure out whether they underestimate their potential influence on world affairs, or are merely trying to evade the responsibilities of their success. The guess in this corner is that they are going to do just enough on defense to mollify Washington but not enough to infuriate Moscow.

Israel After Reagan's Victory

By William Safire

WASHINGTON — Exactly one day after its triumph in the U.S. Senate, Saudi Arabia raised the price of its oil by $2 a barrel and delighted the Libyans by curtailing production to keep world oil prices up. The U.S. motorist suddenly discovered who would be paying for the missiles, bomb racks and AWACS planes.

Israel, which gave up its Sinai oilfields six years ago in return for a written pledge from the United States not to deal with the PLO, now finds itself pressed three ways:

• The future military threat: Despite verbal assurances from President Reagan and his aides that Israel would maintain its necessary "qualitative and quantitative edge," the edge is being lost.

Arab states are not only being armed by the United States, but will also buy from France and England. Libya is sending Soviet-made weapons to the PLO, and Saudi

Begin should make clear that the cease-fire is no substitute for a solution.

Arabia is reportedly financing Syrian purchase of Soviet arms. Israel cannot afford to match that combined buildup. Even if it could, it would have to turn its West Bank into a huge tank-and-plane parking lot.

• The psychological pressure: Forgotten during the AWACS debate was Syria's victory in keeping its missiles in Lebanon, helping make permanent its creeping annexation of Israel's northern neighbor. America's Habib mission, which promised Israel the restoration of the status quo ante, has been a failure. The United States treats its restraining of the Israelis as a great accomplishment, but the Arabs under the protection of a cease-fire know that they have inflicted a defeat on the Christians and Jews. The Israelis know that the Syrian missile triumph encourages radical Arabs.

• The Reagan diplomatic shift: Most dangerous of all is the apparent decision to make Saudi Arabia, rather than Egypt, America's Arab linchpin. Silent acquiescence in the Saudi price increase and production cut is one signal. Another is the respect being shown by Reagan aides to Prince Fahd's plan, embraced by Yasser Arafat, to establish a PLO state on the West Bank, divide Jerusalem, give up the Golan and otherwise ensure Israel's destruction.

By "welcoming" the Fahd-Arafat proposals, Secretary Haig torpedoes the Camp David process. Why should any Palestinian Arab accept any autonomy deal worked out by Egypt and Israel if the Americans are hinting at a much better deal available through the Saudis, who revile Camp David? Reagan's Saudis-first, Egyptians-second approach does not induce any Arab to follow Egypt's lead toward peace with Israel; on the contrary, the strange new policy rewards the rejectionists and forces Israel to rethink its riskiest commitments.

In light of these new dangers, and after Reagan's unforgettably malign news conference admonition not to seek to make U.S. policy, what should Israel do?

First, it should resist its natural inclination to react to the Syrian challenge in Lebanon for at least the next few weeks, or until Mr. Habib can test Riyadh's willingness to end Saudi support of the Syrian takeover of that country. Israel should let the world know that frustration of the Habib mission by Syria is intolerable; the cease-fire is not a substitute for a solution.

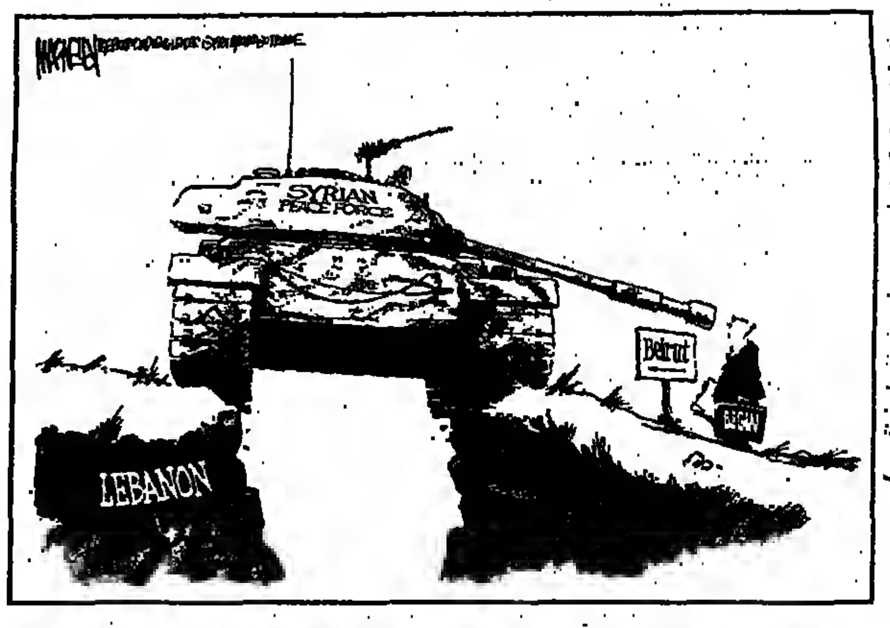
Next, it should explore the degree of substance in the promises of strategic cooperation with the United States. Will the Americans position U.S. tanks and planes in Israel, or warehouses of Band-Aids? Is that talked-about squadron of F-15s for Israel — to equal the Saudi purchase — real or imagined? Is the cooperation between U.S. and Israeli armed forces to be substantive or cosmetic?

Finally, Israel should await clarification of Reagan Middle East policy before making any further preparations to return the final quarter of the Sinai to Egypt. If Reagan's Saudi-first beguilement continues to downgrade the Camp David accords, Israel would be foolish to hand over the last vestiges of its territorial security. The U.S. State Department is aware that the Israeli ambassador, dismayed at Saudi ascendancy at the expense of Camp David participants, is returning to Jerusalem to make such a wait-and-see recommendation to his prime minister.

Now that Reagan has expended so much political capital demonstrating his friendship to the Saudis, what should he do?

Before fear of U.S. irresolution freezes positions, he should unequivocally assert the primacy of Camp David as the only track to Arab-Israeli peace. He should immediately appoint Sol Linowitz to be the U.S. representative at the autonomy talks. He should take up former Prime Minister Rabin's suggestion of Camp David II — a Reagan-Begin-Mubarak summit, joined by Jordan's King Hussein.

The Saudis, if they felt so inclined, could produce King Hussein. The Saudis could renew financial support of Egypt — which has been suspended since Sadat's trip to Jerusalem — and direct a few U.S. motorists' dollars to Palestinians willing to experiment with autonomy. If America's delighted Saudi friends cannot or will not — then what was Ronald Reagan's glorious AWACS victory all about?



Americans Appear to Have Withdrawn From 'Us' to 'Me'

By Robert S. McElvaine

JACKSON, Miss. — The apparent support in Middle America for President Reagan's dismantling of the New Deal and the Great Society raises the question: Do the basic values of most Americans differ today from those of Americans half a century ago? If a substantial majority in the 1930s endorsed the New Deal reforms, as election results made clear, but a majority in the 1980s oppose such measures, it would seem that a fundamental change in values must have occurred.

A comparison of the beliefs during the Depression with those of today — that is, of the Joads with the Joneses — yields striking contrasts. All complaints about the present economic situation notwithstanding, most people are now far better off materially than people were in the 1930s. Yet people today seem less willing to share with others.

The Depression produced a feeling of common plight and led to values based on concepts of fairness, justice and compassion. As they discovered the common nature of their problems, Depression victims sought common solutions. The economic catastrophe created what might be called an "us generation," which in turn led to the spirit that underlay the New Deal. Affluence, particularly once its growth slowed in the mid-1970s, has led many Americans to be self-centered, and this "me generation" is the backbone of Ronald Reagan's support.

In letters that ordinary Americans wrote in the 1930s, the emphasis was on themes of fairness and the need for justice. "We are Poor People," a group of Maryland WPA workers wrote to President Franklin D. Roosevelt in 1936, "but we are human. We feel you'll give us justice."

Such sentiments were echoed in thousands of Depression-era letters. "I knows and think that you feels our care and means right," an anonymous correspondent wrote to F.D.R. in 1935, "and you will do what is right if you knows the suffering of the people." An Illinois correspondent advised: "Give work to the needy ones, and not to the ones that have everything."

The New Deal reflected Americans' desire for public projects. The Roosevelt administration established agencies that put people to work on projects for the common good — parks, buildings, utilities, schools and the arts. Despite complaints from some quarters about "shovel-leaners" and waste, most of the programs enjoyed widespread popular support.

Although the push for public projects reached new heights in the Depression years, the belief in the necessity of cooperation and providing for what the Constitution calls "the general welfare" had always been strong in "individualistic" America. A century earlier, public schools, parks, libraries and museums had been established throughout much of the nation.

Today, however, an insidious selfishness gnaws at the cooperative aspects of U.S. national life. Americans spend ever-larger sums on private automobiles and the gasoline to operate them, while public transportation systems in the major cities are allowed to decay. The wealthy, and those who hope to be, call for tax credits for families whose children attend private schools, while budgets for public education are being slashed.

The shift in values is not absolute. In eras as in individuals, selfishness and compassion coexist. It is the mix that varies.

Those on the make have always tended to be self-centered, while those in poverty have been more concerned with justice and equality. Seen in this light, the basic difference between the dominant values of the 1930s and the 1980s is that much of the middle class in the earlier period identified with the poor, whereas the bulk of Middle America now aspires to become like the rich. The Joads of "The Grapes of Wrath" sought survival and a decent life; the Joneses seek not merely to keep up with each other, but to emulate the Rockefellers to whatever extent possible.

There actually was a "moral majority" in the 1930s; it is no more, in the 1980s. The tone of America in the Depression years was set by the truly needy; today it is set by the truly greedy.

Robert S. McElvaine is an associate professor of history at Millsaps College, Jackson, Miss., and author of "Down and Out: Letters from the 'Forgotten Man' in the Great Depression." He contributed this comment to the Los Angeles Times.

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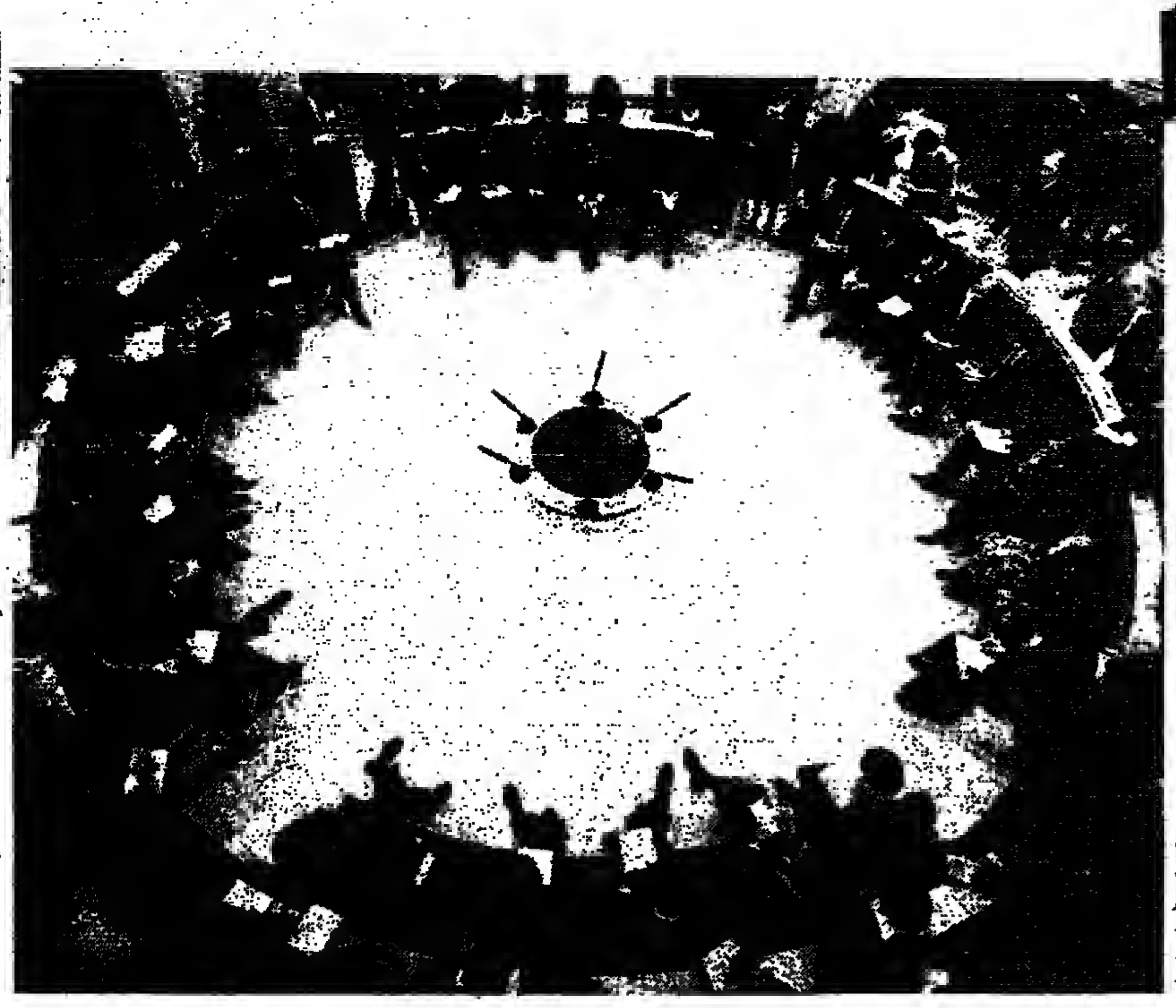
1980

INTERNATIONAL
Herald Tribune
Published with The New York Times and The Washington Post
PARIS, NOVEMBER, 1981
A SPECIAL SUPPLEMENT

COMMODITIES



The Ring during a trading period at the London Metal Exchange.

In the Global Spotlight

By Vanya Walker-Leigh

COMMODITIES will be one of the issues included in the proposed United Nations Global Negotiations — assuming that the cautious commitment of the Cancun Summit to reactivate the search for procedures to get them going is followed up.

Solutions to commodity problems are crucial to the development prospects of some 100 non-OPEC developing nations dependent on non-fuel commodity exports, often one or two products, for 70 percent to 100 percent of their export revenues.

But many non-fuel products exported by developing countries are either nonessential tropical foods or materials that can be substituted or replaced by synthetics. Developing nations share of world trade in so-called "strategic" materials (mainly minerals) is only 25 percent. In contrast, poor countries depend on the rich for 79 percent of their imports of ores and metals, and 62 percent of their essential food products. Advanced countries in fact dominate non-fuel commodities trade — Western nations accounting for 68 percent of world trade in these products, Eastern Europe, another 6 percent.

Furthermore, many commodity prices are largely determined by trading on commodity exchanges, while multinational companies play a leading role in production, transport, processing and marketing of numerous primary products, according to recent studies.

Thus a report to the 94th U.S. Congress revealed that five companies handled about 80 percent of world grain trade, and an even higher proportion of U.S. and Canadian grain exports.

Negotiations on commodity issues however take place between governments, both inside councils managing a number of commodity agreements and within the Integrated Program for Commodities launched by the fourth UN Conference on Trade and Development in 1976 in Nairobi.

The IPC covers 18 products of major export interest to non-oil producing developing countries. Its launching was seen as something of a triumph for the Third World, frustrated by the piecemeal, case-by-case approach in a number of organizations, and the refusal of rich nations to contribute to financing of buffer stocks or other price stabilization measures under existing commodity agreements.

But Western agreement to the IPC emerged from Nairobi mainly because 19 OPEC and non-oil developing nations involved in the Paris-based Conference on International Economic Cooperation, discussing energy, trade, finance, aid, food and commodities, threatened their Western co-participants with refusing to return to the talks. The IPC adopted there also called for a conference to discuss and negotiate a common fund to finance buffer stocks and other commodity measures.

However, political commitment to a common fund only emerged at the end of the Paris talks, mid-1977, as one of the concessions made by Western nations in exchange for Third World support for a post-conference mechanism to continue discussions on energy. Divided among itself, the Third World group refused the mechanism, but negotiations on the common fund went ahead and an agreement finally emerged in 1980.

The common fund will only become operational when 90 nations accounting for two-thirds of its $470-million subscribed capital have signed and ratified the agreement. So far, only 69 nations have signed, 12 have ratified and the fund is unlikely to become operational by mid-1982 as planned.

Though its powers and financial surface are far more restricted than in original Third World proposals, the fund will be able to use $400 million of its capital to raise money for lending to commodity agreements associated with it. Association must be agreed by the councils managing the agreements (at present covering sugar, cocoa, coffee, tin and rubber). These organizations would have to deposit one-third of their "maximum financial requirements" in cash with the fund, with members giving additional guarantees and depositing stock warrants before the fund could lend them money. If these five agreements eventually join on these terms, the fund could have up to $2 billion, against which it could raise another $4 billion.

A second "window" of the fund, backed by the remaining $70 million of its capital and by $280 million in voluntary contributions, will finance a range of measures to improve the competitive position of commodities under the IPC. Most Western nations, originally opposed to this window, have contributed about $200 million, with the OPEC Fund giving another $46 million. The United States, though, has said it will not chip in.

Meanwhile, innumerable meetings on the 18 IPC products have generated few results. The agreements on cocoa, tin, coffee and sugar (products coming under IPC) existed prior to 1976 and have been renegotiated only with difficulty.

EEC nations do not belong to the International Sugar Agreement, although they account for 25 percent of world exports. Bolivia and the United States have decided against joining the sixth tin agreement, starting in 1982, that they helped negotiate. The United States and Ivory Coast, accounting for one-quarter of cocoa imports and exports, have similarly refused to join the new cocoa pact that just came into effect.

President Reagan's "magic of the marketplace" will find sympathizers in Britain, West Germany and Japan, which have only reluctantly come to subscribe to the market organization approach traditionally supported by France, Italy, the Netherlands, the Nordic countries and Austria as well as the Third World.

The same philosophy has led the United States to consider going back on commitments made by the Carter administration at the Law of the Sea conference, on grounds that the proposed treaty limits free access of U.S. mining companies to "strategic" minerals contained in seabed nodules. Recent announcements pointing to $6 billion worth of sales and $12 billion worth of purchases over the next few years (mainly of minerals) by the U.S. strategic stockpile have also given rise to fears that commodity markets will be badly upset.

Disagreements among Western countries, plus the traditional tacit support of their resistance to Third World demands by the Soviet bloc, in contrast to public pronouncements of solidarity with the poor's "just demands," may not make it easy to conclude further commodity pacts.

Disagreements among Third World commodity producers will be another brake — as experience under the IPC has shown. In fact, the limits to "producer power" on OPEC lines have been a salient feature of the IPC talks. A Third World raw materials conference in 1975, the establishment of a number of commodity producer associations, and the drafting of statutes for a coordinating council for these groups gave rise

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Discipline Is Effective Defense Against Risk

By D. Geoffrey Bean

THE NOTION that trading in commodities carries a high risk of having 50 tons of sugar deposited in one's garden may make for hearty bar gossip but should not deter serious investors from investigating commodity and financial futures markets as investment media.

Although such markets are designed to assist trading in real goods over which forward and futures contracts confer rights, the essence of futures trading is that the contract may be closed out prior to the date at which delivery of real goods falls due.

A forward contract, such as forms the basis of trade on the London Metal Exchange (LME), is a contract to buy or sell goods for delivery at a specific forward date known as the "prompt" date. A futures contract extends this concept somewhat and is essentially a forward contract made on standard terms in a market where the majority of such contracts are closed out before delivery by the matching of opposite bought ("long") and sold ("short") contracts with the immediate settlement of cash differences from the prices of the long and short trades.

Futures markets in the United States and in London embrace a wide range of raw materials and latterly "financial investments." Contracts in raw materials cover most nonferrous metals, precious metals, grains, livestock, fiber commodities such as cotton and wool, cocoa, coffee, rubber, sugar and many more.

Government Debt

Contracts in financial futures, which have originated during the last decade in the United States, exist in government short and long dated debt such as Treasury bills and bonds, mortgage certificates and foreign exchange for the major currencies. Similar markets are planned in London for foreign exchange and Eurocurrency interest rates. Consequently, the investor has many opportunities in different markets in most of which prices can move quite sharply from time to time.

The notion that all commodity markets are highly risky compared to other financial markets is an exaggeration, however, and a reflection of the need for disciplined money management when using futures rather than a criticism of the markets.

Futures markets function on a "margin" system of trading whereby the holder of a long or short futures contract must put up money in the form of an initial deposit and a variation margin on any adverse price movements calculated from the price at which his contract is opened to the current level of market price for the same contract. Consequently, the investor in futures can have control over a much larger value of goods than his cash investment.

Disciplined management of this exposure to risk lies at the heart of prudent investment in futures markets. The impression that futures markets are more volatile than other financial markets almost certainly arises from the fact that many investors get their fingers badly burned from overtrading in relation to capital actually allocated to financing futures positions.

It is advisable to look at the gross value of commitments in relation to capital (often termed "gearing" or "leverage") and as a general rule rarely to allow this to reach more than about 3 to 1 without taking into account unrealized profits (which have a habit of disappearing suddenly).

When one looks at volatility of stock and commodity markets in gross terms — that is, ignoring the ability to gear up commodity futures positions by the deposit and margin system of trading — the volatility of commodities is not exceptional. As with individual stocks, some commodities are more volatile than others because of sudden shifts in supply and demand. Indeed, one may say that part of the role of commodity futures is to achieve a sensitive indication of price and an economically efficient means of distributing supply.

It is important for the potential investor to have a basic understanding of the workings of commodity futures markets to ensure that his

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International Petroleum Exchange Is Filling a Need

By Peter Wildblood

MANY business activities involve risk. Some can be assessed from experience or actuarially as insurance companies do when calculating premiums. Other enterprises cannot do this or there are other factors that make it necessary for them to find different ways of controlling risk.

Those involved with producing, buying, selling or manufacturing from primary commodities are dealing with risk from price changes. The commodity sector, mostly, has developed its own form of risk management in the shape of futures markets, which provide price insurance through hedging.

Although a new medium in the oil trade, futures markets have been used by the commodity trades for a long time — more than 100 years in the case of London — sufficient for their effectiveness to be proved.

Why, then, only recently, was the International Petroleum Exchange established? Until the early '70s the world enjoyed comparative price stability in oil and oil products. However, the breakdown of the traditional structure of the oil trade and political changes saw an end to that. Considerable price uncertainty and volatility ensued, creating the need for a futures market in oil and oil products that London is well placed to fill.

Trading Center

London not only has the expertise, communications and financial structure, but it is close to Rotterdam, the center of the spot market and Europe's biggest oil port. Also, as a trading center, it straddles the world's time trading zones permitting business from Europe and the East in the morning and from North America in the afternoon.

It was not only price insurance that the oil trade needed. The lack of a central marketplace and the existence of only informal methods of gathering information meant that there was no open or reliable indication of prices or price trends. A futures market, where business is conducted publicly by "open outcry" on a market floor, provides price transparency. All bids, offers and completed trades are instantly shown on visual display units on the floor and in members' offices. The same information is available through the various international news media to the public and businesses worldwide.

The IPE commenced trading on April 6, 1981, with a first contract in gas oil (heating oil) of a standard European specification. The contract for 100-metric-ton lots is denominated in U.S. dollars with a minimum fluctuation of 25 cents. Trading takes place over nine consecutive months, starting with the current spot month, and delivery is made against transferable bearer warrants in the Amsterdam, Rotterdam and Antwerp areas.

From the outset, the IPE has been determined to develop a strong trade base to the market. BP, Amoco, Ultramar Golden Eagle, Agip, Mabanaft and Copechim are some trade members. Other majors have shown interest and there is active participation from the large network of small distributors of heating oil. It is not only these who can use the market to fix a price forward or hedge their physical commitments. Large consumers of heating oil, whether industrial concerns or government departments and local authorities, and users of gas oil as a feedstock or diesel need to protect themselves against adverse price movements.

Futures Contracts

While hedging (buying price insurance) may be the prime use of the market by many, others use it as a means to accept risk in the expectation of profit (selling price insurance).

This latter speculative element to the market is essential to broaden its base and provide additional liquidity. It also ensures that no one side of the market can dominate to the detriment of the other.

A futures contract is a binding agreement to buy or sell at a specified price and at a definite future date a standard quantity of a commodity of fixed quality and terms of delivery. This standard contract enables all users of the product of trade through the market on a common accepted basis.

Futures transactions differ from physical contracts because they are transferable. As all futures contracts are identical in terms of quality and quantity it is possible to make a compensating purchase or sale at any time, thereby closing out any liability under the original contracts, leaving only the difference in contract price to be settled.

The primary use of the market is for hedging. For example, an oil company anticipates holding a surplus of gas oil in July. During January, the futures price for July is $310 per metric ton, which the company believes would be a good price to sell its summer surplus. It therefore sells July future contracts equivalent to its anticipated July surplus. In June it enters the physical market and sells the oil for delivery in July. At the same time it re-enters the futures market and buys future positions in

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Responsive to Change

By David M. Anderson

A PREDOMINANT feature of the London markets is that they have always been responsive to change, and change there has always been.

The exchanges and the contracts traded on them have been created out of economic necessity by those people whose business it is to make a market and trade in the underlying goods, or to produce and consume them. Thus some contracts have failed to work and ceased trading while others continue to expand in volume and importance.

Similarly, as trading patterns change or industry's requirements change, so new futures contracts for new commodities are examined and from time to time started. In the last three years alone, new contracts have been started in soya meal, nickel, aluminum, potatoes and gas oil. It is expected that a gold futures market will open in the first quarter of 1982 and a financial futures market in the third quarter of 1982. Although the International Petroleum Exchange was only established this year with one commodity, gas oil, being traded, studies are being made to expand it into a full energy market with contracts in other oil and petrochemical products and perhaps even coal.

Financial Instruments

The biggest development worldwide in commodity trading, however, has been in financial instruments, from currency futures to interest rate futures. Although these concepts were initially developed in Chicago the existence of exchange controls and the banking environment precluded their development in London. But that has changed and the banking community, in conjunction with the currency and discount markets are combining to put together the London International Financial Futures Exchange (LIFFE). It is hoped that within a year contracts in currencies, U.K. government gilts and Eurobonds will be trading. This is relevant for the commodities community because currencies and interest rates are interwoven in the fabric of commodity trading.

This will mean that London alone will have an organized exchange for every international commodity (and this now includes currencies and interest rates as commodities). These can be split into fibers, grains, tropical products, nonferrous metals, precious metals, oil, currencies and interest rates.

There are three distinct commodity exchanges in London. The London Metal Exchange (copper, tin, lead, zinc, silver, aluminum and nickel), the Grain & Feed Trade Association (wheat, barley, potatoes) and the London Commodity Exchange (sugar, co-

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Gold Futures Trading Soars in Popularity

By Peter Grange

AN OUTSTANDING feature of the boom in U.S. futures markets in recent years has been the enormous popularity of gold futures. The volume of contracts traded on the New York Commodity Exchange (Comex), the largest of the U.S. markets in gold futures, soared from 394,000 in 1975 to 6.5 million in 1980. An important element in that growth has been the increasing interest shown by the American public.

The success of the futures markets has not gone unnoticed in London. The city's financial and commodity milieus are sensitive to any developments that may reduce the importance of London as a trading center, and two of its august bodies, the London Gold Market and the London Metal Exchange, are joint sponsors of a scheme to open a gold futures market. Most of the details are now finalized but they were not determined without long delays, protracted debate and, on one issue at least, a great deal of controversy.

Much of the U.S. markets' popular appeal stems from the attraction of gold itself; that and a general disenchantment with the U.S. investment climate. The high leverage offered by futures markets is undoubtedly a big attraction. For example, the recommended margin deposit in Comex is $2,500 for a contract of 100 ounces 995-fine gold. The recommended margin on Chicago's International Monetary Market (IMM) is even lower: $1,500 for a "speculator" contract of the same weight and fineness, although a "hedger" has to pay $2,000 (an acknowledgement that the speculator uses the market to accept risk, hence the inducement, while the hedger uses it to reduce risk).

The remarkable success of the major U.S. gold futures markets — Comex accounts for about 55 percent of the business and IMM for about 35 percent — can also be attributed to the low carrying charges on gold futures and the ease, perhaps beguiling, of trading in them. Gold futures carry a premium equal to or fractionally above rates in the interbank Eurodollar market. Contracts are standardized and, as all but a few are closed out before the delivery date, there are no transport costs, no assay costs, and no need to buy insurance.

Gold Futures Trading

Moreover, prices are widely disseminated and liquidity virtually assured by the market's depth. The fact remains that for every gain there is a corresponding loss, and there is no dividend attached to gold futures. Nevertheless, the U.S. formula has led to markets of broad appeal with private investors playing a significant role alongside bullion dealers, producers, foreign exchange dealers, the jewelry trade and industrial consumers.

But the ease associated with gold futures trading in the United States was not reflected in the formation of U.S. markets themselves. The West Coast Commodity Exchange was the first to begin in 1971 with a flying start. The 1934 Gold Reserve Act forbidding U.S. citizens to hold gold bullion was then in force and the "paper gold" loophole the market sought to exploit was quickly blocked by the courts.

When the Gold Reserve Act was abolished in January, 1975, five U.S. groupings were interested in setting up gold futures markets. It was not easy. Debate about the best market structure went on for months: Should the traditional 400-ounce ingot be the traded contract? Would not a new, smaller bar, of 100 ounces be more convenient? And what about the fineness — 995 or 999-fine? Trading hours, floor membership, minimum and maximum limits on price movements, location and clearing house arrangements all posed problems. Some of them were novel. While gold has been traded for a few thousand years and futures markets in existence only for a few hundred years, gold futures were new. As a commodity, gold has investor appeal of a special nature and when all was resolved, the markets that hit on the right formula flourished.

The same may yet prove to be the case on

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London Markets Have Been Responsive to Change...

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coa, coffee, rubber, wool, soya meal, International Petroleum Exchange). In essence they are marketplaces created and run by merchants who consider themselves collectively to be predominant in the pricing and transshipment of goods around the world. The forward and futures contracts traded in these markets are related to the delivery of the actual goods. The strength and effectiveness of the London markets is reflected in their function of pricing goods for major world producers and consumers.

International

Except for the domestic/EEC grain and potato futures markets, all the other commodities and metals are of an international nature, produced and consumed worldwide. London scores higher than most other centers because it represents a central reference point for world commodities. Although the Chicago and New York exchanges trade in many more commodities and in considerably larger volumes, only a handful (sugar, cocoa, coffee, copper, gold and silver) are international. The rest are domestic.

London has therefore developed into more of an international center and this role is increasing. The trend has been reinforced recently by a large influx of foreign banks and trading and brokerage companies.

But the question still arises whether the commodity exchanges provide real liquidity and fulfill a modern economic function or are a relic of bygone days.

It is generally accepted that the economic functions of efficient commodity futures markets are to provide a forum for price determination, an efficient and financially sound trading structure, a central reference for prices, a market which can be used for carrying or financing surpluses, a medium for hedging obligations or shifting price risk and a market of last resort.

Unlike a number of the U.S. exchanges, the London markets pride themselves in being able to fulfill all these functions and so attract the world's trade.

Over the extended period of exchange controls, when all transactions were monitored by the Bank of England, approximately 80 percent of all transactions were represented by trade interests and 20 percent by non-trade (trade being defined as those participants whose business it was to produce, consume, fabricate, convert or in any other way participate in the goods themselves), while these figures are probably the reverse in the United States.

London's importance for trade participants encompasses the very sophisticated trade arbitration procedures that allow disputes to be settled quickly and cheaply without recourse to the courts (with their attendant delays and costs). Each commodity exchange has proven and elaborate rules for arbitration of disputes; a fair hearing for all parties by experts in their fields is ensured.

The futures (or terminal) markets have their contracts guaranteed to members by a central clearing organization known as the International Commodities Clearing House (ICCH). This organization came into being in 1888 and acts independently of, but in close collaboration with, the market associations. The market associations are organized and run by elected members who create and enforce the regulations of the relevant market. Most of these members are traders in the underlying commodity itself and their operations are heavily biased towards commercial users.

The outside speculator has little to do with the affairs of running the markets. Although welcomed as an important contributor to liquidity, speculators cannot be a tail that wags the dog. It is of paramount importance that the value of underlying goods ultimately determines the price.

With equity markets so uncertain over the last few years, investors' eyes have turned towards commodity markets. More outside traders and speculators have taken part and mutual funds have been devised for direct participation in commodity trading or investment.

Each commodity is traded in a minimum unit known as one contract or one "lot." Although this minimum contract usually has a large value, it is now possible for an investor to buy small units through these funds, which are managed by professionals. Furthermore, while normal trading in commodities can be very risky, these funds give investors limited liability. The first of the funds was formed in London, but there are now a considerable number both in Britain and the United States. This area is expected to grow further, even though there is a hot debate whether the speculative movement of money in and out of commodity markets will create excessive distortions.

London has always prided itself on the self-regulation of its markets...

London has always prided itself on the self-regulation of its markets, due principally to the large trade participation. There has been considerable debate between London and Washington about government regulation of international markets. London's attitude has always been that if the contract specifications relate to the real delivery of real goods in a commercial manner and if the authority of the exchange is such that it can take instant action against abuse, then the market will reflect true value and should be used by all comers, particularly in those commodities which are now considered truly international.

This has been successful. With the Bank of England maintaining a close liaison role, the London system has worked to the benefit of all.

The U.S. view has been colored by the creation of a federal agency, the Commodity Futures Trading Commission (CFTC), to regulate all commodity markets and commodity trading in the United States. Since its inception there have been some notable disruptions in the U.S. markets, particularly the attempt to corner silver in 1980. The CFTC insists that one of the prerequisites of regulating markets is to have daily knowledge of the positions of every participant, and to have a legal jurisdiction over those participants.

By participants, the agency means every ultimate beneficial owner of futures contracts. In trying to attain these goals, particularly those of extraterritorial jurisdiction, the CFTC ran across international legal barriers, creating a furor among foreign governments.

It has always been the contention of the London markets that quick and efficient regulation can take place by controlling the members themselves and not their ultimate clients and that it is not very relevant who uses the markets. In fact, the London trade community actively encourages major world producers and consumers to use these markets either for hedging, pricing or part of buffer stock support programs.

For some reason (probably a relic of the 1920s) the U.S. government sees large outside users of the U.S. markets as some sort of threat. Therefore, the combination of London's less regulated limits to price movements, minimal government interference, longer trading hours and more sophisticated finance and clearing, has put London's international markets ahead of all others. The U.S. international markets could be net losers to London.

David M. Anderson is managing director of Anderson Man, Ltd.

COMMODITIES

... But Tradition Is Not Forgotten

Special to the IHT

THE LONDON Metal Exchange's long history derives ultimately from the fact that tin ore has been mined in Cornwall since pre-Roman times — for a short time around the early 19th century, more than 50 percent of copper was smelted from Cornish ore, and appreciable tonnages of lead were also produced.

Many merchant firms flourished on the basis of these productions, but their decline and the British industrial revolution turned Britain from an exporter to an importer of these raw materials. It was to facilitate this trend and to participate more easily in a growing international business financed by British banks that merchants and others joined to form the London Metal Exchange in 1877.

The 100 years following the exchange's creation have been unprecedented in scientific and technological advances, and with the resultant social and political changes it is astonishing that so much remains of what the original members created in the exchange's formative years.

Examples of this include the practice of formal seating in a ring and the strictly controlled five-minute periods of metal dealing, which take place twice during the morning and afternoon trading sessions. Official prices are established at the end of the second five-minute period for each metal in the first session and published through the world's international press services. Inter-office dealings can take place at all times and can be contracted on official standard contract forms.

Other examples of continuity are the fact that today's standard contracts have evolved directly from those originally formulated, and the management of exchange affairs by a board and a committee.

The board consists of directors of the Metal Market and Exchange Co. Ltd., one-third of whom retire annually but are eligible for re-election. Currently, company articles allow for 12 directors, but nine is the usual number serving. Shareholders in the company must be current members of the exchange. The board is responsible for the overall control and financial side of the market and draws its income from fees and subscriptions.

The committee, numbering 15, controls the market's day-to-day activities and the technical side, and its members are elected annually. Major alterations, be it in contract terms, through the introduction of a new market or through changes in the rules and regulations are agreed to by a joint meeting of the two bodies.

The most important original feature of the exchange that differentiated it from other commodity exchanges was that members dealt with one another and clients, on a principal to principal basis, and this remains unchanged as no clearinghouse mechanism has been introduced. There is trust and confidentiality between the member and the client.

Exchange Subscribers

Subscribers to the exchange are divided into three categories: those who represent companies that have been granted the privilege of dealing in the ring; those representing non-ring dealing companies; and individuals connected with the metal trade. There are 95 subscribers from the 29 ring dealing companies; 79 representing 55 non-ring dealing companies; and 27 individual subscribers. There is room for 35 ring dealing firms, but no limitation on the other two categories.

As in any outcry, market members must be prepared to deal with each other. It is therefore one of the board's duties to see that, in particular, a ring dealing company's financial status is sound and that no overtrading takes place. This is done by a combination of examining annual accounts and a daily confidential return made by members to an independent body on their open indebtedness to one another. A maximum figure on such indebtedness is set by the board and committee. If this is exceeded, it is reported to the secretary and members asked to put up additional bank guarantees or something else until the position is rectified. This follows a confidential investigation by three members of the board and/or Committee.

There is also an arrangement with the Bank of England whereby members report their open positions at the end of each month. These positions are divided into trade and non-trade interests. Should non-trade interests become excessive in any one metal, the chairman of the committee is informed and appropriate action is taken to have the situation kept under review. It is generally assumed that in normal markets 25 percent is the trigger point.

General evolution excepted, there have been these notable changes over the years:

• The development and structure of ring dealing firms. Originally, these were partnerships and private companies. Since the exchange became fully operational after World War II, companies have largely become subsidiaries of bigger organizations. This has resulted in dealers mainly having to operate under remote control within limits laid down by management, unlike when the dealer was the owner and could make a decision instantly when sitting in the ring.

• The number of foreign metal companies forming London-based subsidiaries for the purpose of obtaining ring dealing privileges, which has increased. Currently, more than 75 percent of the 29 ring dealing companies are owned or controlled by overseas interests. Their influence has been beneficial and enhanced the international status of the exchange.

In a normal futures market, operations reflect people's opinions of what is likely to be the situation in three months. This in turn gives rise to selling or buying in anticipation of the expected movement, and establishes a price trend useful to industry.

Of all the international commodity markets, the LME is probably the most trade and commerce oriented. Also, outside the dollar area, almost all the trade in metals, ore concentrates, residues and scrap is based on or related to LME quotations.

In times of oversupply, when the differential between the purchase price of metals for delivery the next day and that of a sale made simultaneously for redelivery in three months can be comparable to lending money to a bank, then a double operation or "carry" becomes an acceptable method of using funds available to a variety of financial institutions to finance the surplus stocks without causing a drain on the resources of producers and fabricators.

LME arbitration procedure is widely used in international trade. It is conducted by one arbitrator appointed by each party from a list of names kept by the secretary of the exchange, these two having the right to appoint a third to ensure a majority verdict. In the event of one party not making an appointment, the committee is empowered to do so. In the event of an appeal, this is heard by a panel of five appointed by the board and committee from among their members.

In 1977, the London Metal Exchange celebrated its centenary — a long way from the time when entrepreneurs bartered commodities in the London coffee houses and then, their business unfinished after the coffee houses had closed, continued bartering on the curb, which led to the still-used name of curb trading for dealings taking place after the official sessions are closed, although these no longer take place outdoors.

On Sept. 30, 1980, the exchange started trading in its modern premises in Mincing Lane. Still based in the heart of the City of London, the exchange has managed to achieve the impossible: maintain its traditions and proven business methods and adjust to the future.

Technology Makes Gains in the Marketplace

By Ron Blonder

THERE can be little doubt that the computer is one of man's most important inventions. During the last 10 years, computer technology has had a substantial effect in almost all market sectors around the world.

Using computer technology is not new to the commodity specialist. Receiving rapid price movements from the major commodity exchanges is the lifeblood of commodity professionals as world forces of supply and demand compete.

There are a number of vendors providing up-to-the-minute price information accessible through visual display units. The Reuters Monitor System has dominated this field in Europe since the early 1970s, when it introduced foreign exchange information from major market-makers to be displayed over its desktop terminals connected via high-speed communication lines.

From the U.S.

The concept of capturing this "uncentralized" market was an extension of existing technology from the United States, where during the mid-1960s firms like Bunker Ramo, Quotron and GTE established massive switching networks for the rapid dissemination of centralized exchange price movements in stocks, bonds and commodities.

Because of the complexity and uncertainty of world economies, there was a need to extend available information to include a wide variety of data from the world's major financial centers. As a result of this demand, specialized systems were developed. For example, Telerate established its own money market network and has recently included commodity price information as part of its data base. ADP Comtrend, realizing the importance of presenting commodity price information graphically, introduced its Videcom service in the early 1970s.

New entries into the dissemination of commodity price information include IBM, Unicom and Viewdata, where a wide variety of features and costs are now easily accessible for anyone who requires this data. The competition is fierce as these vendors are vying for their market share throughout the world. Although traders welcome these new services, one of the major problems for commodity firms is that their dealing rooms are already overcrowded with visual display units. The need for centralizing the retrieval of information is altering the style of the trading room. This trend will continue as new technology is introduced. Commodity firms are consolidating for better use of their monitors by interfacing this data into their in-house operations for efficiency purposes and to reduce overheads.

Only the Beginning

Data collection and dissemination is only the beginning in this microchip era, for it is the interpretation of this data that is essential to the trader. Regardless of whether one is a producer, hedger, speculator, a fundamentalist or a technician, it is the accurate analysis of future price movements that deserves the concern of anyone who participates in this industry. And it is in this area that computer technology possibly can alter the character of the marketplace.

Technical analysis of fundamental principles for the purpose of forecasting emerging market trends is one of the major functions of any commodity trader. Accurate analysis will result in increased profits. Perhaps the single most important tool for commodity traders is the chart, which illustrates the volatile price movements of futures contracts over a period of time.

Charting is one of the oldest tools used by commodity traders to analyze and forecast markets trends. Although fundamental factors such as supply and demand, political policies and weather cannot be ignored, the chartist believes that these factors are so numerous and variable that the effect is represented in the price of the commodity at any given point in time. Not all traders share this view, but it is important to have an awareness of technical influences and the effect upon the market of these techniques. Regardless of one's philosophy, graphic representation of price movement can predict early signals more from an extensive study of various charts than from an analysis of the fundamentals.

Price and volume charts are available in a number of formats. The most commonly used are trendline, bar, point and figure,

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Global Spotlight

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to fears that OPEC-style tactics might start being used. But the council has never met due to lack of ratification of its statutes, and OPEC nations have not been active supporters, let alone bankers of these groups — as yet. Instead, OPEC has pushed hard for the common fund, offering to pay subscriptions of the 35 poorest countries, even though so far only Indonesia and Iraq have ratified the fund treaty.

Hopes that world commodity trade could be improved by sweeping concessions under the Tokyo Round trade negotiations held under the auspices of GATT (the General Agreement on Tariffs and Trade) did not materialize. Even when concessions agreed to in 1979 are phased in finally in 1985, world trade in most agricultural commodities and their processed forms will still be far from free.

In the absence of foreseeable progress towards more commodity agreements or any further trade liberalization before the early 1990s, increasing attention is focused on ways to stabilize export earnings of developing countries by means other than commodity price stabilization as it functions under the pacts. The compensatory finance facility has lent $1.3 billion to developing countries over the last 18 months.

Meanwhile, the second edition of EEC's Stabex scheme for 44 commodities exported by 60 associated developing states, which started in 1975, is committed to lend or give some $110 million a year between 1980 and 1985 for export earning stabilization. But claims over the last twelve months have been double entitlements: the Community will have to negotiate among its members for further financial resources for Stabex, or with associated countries for reduced benefits. Proposals to include a further 11 "least developed" nations will also increase costs.

Next spring the UNCTAD secretariat will be proposing negotiations on a major new export earnings stabilization fund. But most rich countries have already indicated that they oppose any new plan and would only be ready to talk about, though not necessarily agree to, expanding the IMF facility.

Third World hunger poses a whole series of additional issues: the need for land reform and income redistribution in developing countries, export vs. subsistence crops, ways of managing food aid from abroad so that it actually reaches the starving while not discouraging or disorganizing local production, the need for much more international finance for agricultural development.

Solemn commitments at Cancun to feed the hungry follow a long series of pious hopes and broken promises emerging from many world conferences. "World Food Security" seems likely to remain as unattainable a goal as a new deal in world commodity trade, right now.

Vanya Walker-Leigh, an independent economic journalist, represents the Canadian Financial Post and Lloyd's List in France.

Outside Influences Affecting Tin Trade

Special to the IHT

THE TIN market has been subjected to a number of influences outside of those created by the law of supply and demand and has reacted violently because of its small base, world production being only about 200,000 tons.

Negotiations for a Sixth International Tin Agreement nearly failed and it was necessary to prolong the life of the Fifth Agreement for a year to mid-1982 before agreement was reached. Since then the U.S. government has stated that it will not sign, and there are doubts about other major countries ratifying.

Overhanging the market has been the knowledge that the General Services Administration has considerable tonnage of metal to sell, but in accordance with the U.S. government's undertaking that stockpile sales shall not disrupt the market, the tonnage actually sold has been small — about 2,000 tons during the last 10 months — and it is expected this restraint will continue.

Finally, there has been the entrance of a noncommercial force in the market that raised the price from the lower half of the buffer stock manager buying range to almost the top of the selling range in a few weeks in the third quarter of the year. After a long period of inactivity by the buffer stock management, prices were depressed by economic consideration and it looked at one time as though the floor price itself might have to be defended. He entered the market in the second quarter and by the end of June had purchased some 4,000 tons. In mid-July, the very heavy buying commenced and it will be interesting to learn at the end of the year what tonnage the buffer stock manager still held, if any, at the end of the third quarter, as the ceiling price was exceeded in the second week in October.

The argument about the price range in the Fifth Tin Agreement continues, with producer countries pointing to world inflation and its inevitable effects on the cost of production, which in many cases has rendered operating unprofitable. Consumer countries claim that the overall economic climate calls for restraint in raising prices and point out that any future increase in the price of tin will have serious long-term effects because of the increasing use of substitutes in the container field. This has already begun and the search for new major uses of tin has been intensified.

As with other metals, the price movements on the London Metal Exchange have been exaggerated by the wide fluctuations in the value of sterling since the beginning of the year, and the major supply of new metal enters the world market based on a Malaysian dollar quotation.

An anomaly on the LME is the existence of two tin contracts, both giving rise to offical quotations although the Highgrade contract is almost unused, as seen by the number of markets with no turnover. But the majority of tin delivered into registered warehouses conforms to the higher specification.

The Highgrade contract, which was introduced in July, 1974, was expected to be built up by buffer stock manager operations, which would be based mainly oo highgrade tin from Penang, bot its activities never reached the necessary volume to make dealers switch their trading to the new contract. They continued to operate where they could trade freely even if, from time to time, they might take delivery of a brand of metal not quite up to their requirements. The contract must remain for the present, however, as the official quotations are used in some long-term contracts.

Forecasting Difficult

It is difficult to forecast the future of tin prices. It seems unlikely there will be a major uplift in the I.T.C. price ranges and that U.S. stockpile sales will continue. Also unlikely is that the world economy will not experience a sudden recovery and that there will be surplus production as the present prices appear to be too high.

Against this, considering the size of the market and the relatively small number of producing countries and the unimportance of secondary production, an attempt to maintain prices at an artifically high level could succeed until world trade recovers.

Seeking Confidence

Special to the IHT

OF ALL the markets of the London Metal Exchange, the lead market is probably the most representative. Together with copper, there is no producer price quotation, and a volume of secondary material in the form of residues and scrap that is refined and against which appreciable hedging takes place. In 1980, lead mine production totaled some 2½ million metric tons of lead in concentrates while metal production reached 4 million tons.

In 1980, metal production and consumption were affected by the world recession, especially in the industrialized nations, world production falling by 4 percent while world consumption fell 6 percent, resulting in a slight surplus for the year and reflected in the average price on the LME being £391 per metric ton against £568 per ton in 1979. The averages in the United States were 42.5 cents per pound against 52.6 cents per pound.

The current year is expected to show little change in production and consumption, the continuing slight surplus being reflected in slightly lower average prices to date: about £388 per ton in London and 37.5 cents per pound in the United States.

Two Influences

There are two major influences on the lead market which act in opposite directions. On the production side there are the environmentalists who claim that lead pollution created by smelters is unacceptable and causing the closure of some plants. This can be modified only at an unacceptable cost per ton in relation to today's prices, thus reducing production.

On the other side are the antipollutionists, who say the emission of lead in exhaust fumes, the use of lead in paint and in pipes and tubes is a health hazard. This also tends to reduce consumption. If prices increase to allow smelting with acceptable antipollution devices incorporated in the plant, then consumption will decrease and the price increase will become unsustainable. Perhaps because regulations are not so strict in developing countries, their share of world consumption has risen steadily over the last decade from 8.5 percent in 1970 to 10.6 percent in 1980.

Forecasts in 1981, made at the Lead Zinc Study Group meeting, indicate an increase in production but doubt whether there will be any corresponding increase in consumption, which indicates lower prices. It must be remembered, however, that stocks are low and any return of world confidence will alter the picture dramatically by increased demand and restocking by fabrications.

Technology In Market

(Continued from Page 8S)

moving averages and spreads showing the relationship between one futures contract and another. Because of the inherent volatile movement of commodity prices, today's chartist requires the capability of the computer to maintain the pace necessary in these active markets. The time-consuming method of preparing charts manually is being replaced by the computer.

Easier to Use

Computer technology has made it affordable for anyone to purchase small micro-based systems such as the Apple or Tandy's TRS-80 aimed at the home computer market. High-level languages and easier-to-use software packages are filtering their way into research departments for the purpose of analyzing market trends. The competition in this market is playing a significant role as traders and researchers can now create their own commodity models or prove existing theories such as the Elliot wave principle or Fibonacci series of analysis, two technical trading techniques. The oewest entry into the personal computer field was recently anounced by IBM. The following week, Apple, which presently dominates the market, responded by taking a full-page advertisement in The Wall Street Journal: "Welcome, IBM. Seriously."

With small computers, traders can now create their own commodity models...

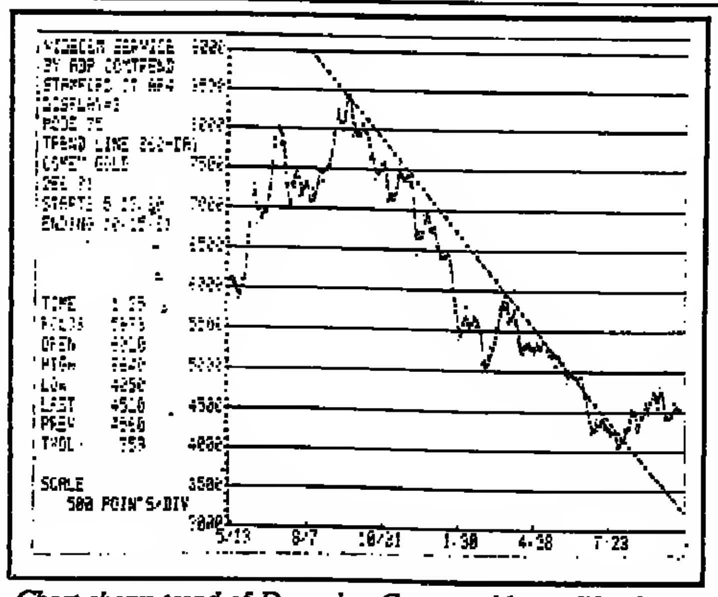

Chart shows trend of December Comex gold over life of contract. Support and resistance lines are generated directly from Videcom keyboard by user. Chart was made in 30 seconds.

As more technically oriented firms continue to capitalize on the growth of the commodity markets, a saturation point will sooo be reached. However, ooe argument is that, while all the attention is given to commodities, it will attract more people into commodity trading. From a market liquidity point of view, this would be a healthy and welcome factor.

Cross-Pollination

As it is one of the functions of commodity exchanges to introduce new contracts, and as new exchanges are being created — for example, the London International Financial Futures Exchange (LIFFE) — there will be more of a need for cross-pollination of information made readily accessible to the commodity professional.

Firms participating in providing essential information will recognize this fact for survival purposes. For the dream machine in the not-too-distant future will contain multiple functions for receiving up-to-the minute prices covering all markets, the ability to display graphically any price movement, the capability of isolating the terminal to take prices and run them through any model one chooses, to update one's portfolio, the capability for order entry, oews analysis and back office accounting functions. Equally important is the need for efficient communications to deliver these vital functions. Financial firms are already keeping an eye open toward the development of Earth satellite stations, to handle their own communication requirements.

The result of all this available technology will provide the trader with more efficient tools to forecast future price movements quickly and accurately, verify his own projections, become quickly familiar with markets where he may not have traded, calculate relationships between one or more markets to determine the best opportunity, reduce risk-to-reward ratios and increase profits.

Ron Blonder is managing director of ADP Comtrend, Ltd.

Sugar Market: EEC Nations' Role Grows

By Christopher Carter

ALTHOUGH about 90 million tons of sugar are grown and consumed in the world, only about 20 million tons are traded in the world market at world market prices.

As a consequence, shifts from surplus to deficit and back again in the total world picture can exert very high leverage on the behavior of the price of free-market sugar.

This has been particularly the case in the last 18 months: The price of sugar in October, 1979, was 11 cents. In October, 1980, it was 45 cents, and the price this October is back to 12 cents.

The Great Handicap

The long-term trends of supply and demand are comparatively easy to forecast. Since World War II, the sequence of surplus to deficit to surplus again has gradually accelerated its cycle, which now appears to be about five years.

It is the short-term behavior of supply, caused by the vagaries of weather, that is the great handicap for accurate price forecasting. Although in cane countries, weather conditions are generally reliable enough over the 12-18-month growing cycle not to create major variations in yields, in the beet sector, huge variations in yields can be seen from one year to another should rain or sun come at the wrong time instead of the right time during the much shorter five-month growing cycle.

Of particular interest to the free market is the outlook for the EEC, for not only has the EEC become a source of between 25 percent and 30 percent of free-market sugar supplies, but the concentration of the crop is in a sufficiently small area — about 15 million tons of beet sugar are grown in a 500-mile radius of Brussels — to make its progress dependent on relatively few weather systems. Yields in the EEC during the last seven years have ranged from 5.0 tons per hectare in 1975 to an expected 7.25 tons in 1981-82, and a change to only average yields would reduce supplies by 2 or 3 million tons.

The sugar trade does not like the violent movements that are seen during the periods of scarcity. It is reconciled, however, to the fact that the trade is within a residual market and that small and even unnoticed changes in crops can trigger remarkable responses in price behavior. This market has become highly dependent on excellent yields in the EEC and it is only a matter of time before a drop in yields will occur, and the free market will be in scarcity again.

Christopher Carter is a director of E.D. & F. Man, London.

Hopes for Copper Improvement

Special to the IHT

SINCE late 1974, the price of copper has languished in world markets. Successive economic recessions of varying severity have combined with persistent over-supply conditions to inhibit the price rises that have constantly seemed just around the corner. To borrow a phrase from current British political jargon, it is proving to be "a very long corner."

There have been brief periods over the last seven years when prices seemed to be moving into new high ground, notably in 1976 and more recently in late 1979 and early 1980.

In 1976, it was continuing slow economic conditions and the very high visible stocks of metal in London Metal Exchange and Comex warehouses that frustrated the rise. The later recovery in 1979 and early 1980 was largely the result of powerful speculative forces not, as it turned out, backed by any real improvement in consumer demand.

Interest Rates

By that time, visible world stocks had decreased substantially and the outlook in supply-demand terms seemed coosiderably brighter. But, the much-awaited economic recovery failed to develop and was eventually dealt a body blow by the savage rises in U.S. interest rates that occurred in the early part of 1980 as the U.S. government sought to grapple with excessive government spending and growing inflation.

Since that time, it would be fair to say that the fortunes of the world price of copper have been dominated by exchange and interest rate factors. High interest rates in particular have been responsible for successive rounds of destocking by end users, stockists and intermediate fabricators.

The present position, as we look forward to 1982, is that prices are still bumping along the bottom and visible stocks in Comex and LME warehouses have remained relatively static. Meanwhile, the stock position among fabricators, except certain primary fabricators, has been whittled down to extremely low levels. This may be especially true of stock levels at distributors in the electrical and plumbing trades.

Against a background of low stocks and low prices, world refined production has been slowly but steadily increasing.

Against this background of low stocks and low prices, world refined production has been slowly but steadily increasing. On the other hand, consumption has been increasing at a marginally higher rate, no doubt encouraged by the years of low prices and the greater confidence of industrial users to engineer copper into their products. The price factor here has been a vital influence. There have been constant losses in certain outlets to other competitive materials and developments or the prospect of them. But copper seems to be holding its own against other materials.

What They Conceal

World metal statistics, to repeat the old gag, are like the bikini — what they conceal is more important than what they reveal. And one important factor is often overlooked: In many of the smaller, industrially immature countries where statistics may be particularly hard to obtain, copper consumption has been increasing much more rapidly than in the heavily industrialized nations. This is particularly true of the Middle East and those countries surrounding the so-called Pacific Basin.

If we look at the progress of production this year, the statistics are not yet registering the losses that have occurred in Chile, Peru, Zambia and Poland through strikes and other factors. These losses, while oot individually significant, may be collectively important if, discounting for a moment visible world stocks, the overall supply-demand picture appears to be in balance. In the same context, the gains in consumptioo in so many of the less-developed countries may be individually insignificant but collectively important.

Interest Rates

Prognostications about the development of the world economy in 1982 are almost as varied as the number of commentators. But, if we look at copper individually, it seems acutely well-posed to reap the benefit of even a marginal recovery.

Interest rates worldwide are distressingly high, especially in the United States and the United Kingdom. But the prospects of a decline in U.S. interest rates by the early part of 1982 is a distinct possibility. Such a fall in interest rates could well be the signal required for consumers to restock cautiously, especially materials such as copper, where real visible stocks are now relatively meager.

If such restocking does take place, then LME and Comex stocks could rapidly disappear. With the reduction of the stocks, the contango, which has dominated the copper market for the last seven years, would also be eliminated and a backwardation should emerge. Even before this happens, speculative activity would again be stimulated and the copper price would at last be on the move.

Of far greater importance than the speculative activity would be the tremendously powerful influence of trade buying that would be unleashed in the course of the restructuring of the market from contango to backwardation. It is from this development especially that the real impetus to price rises will come. Next year may well be the year in which it happens.

Filling a Need

(Continued from Page 7S)

July to cancel out its previous selling positions.

Thus if the physical market price has fallen to $300 per metric ton, a corresponding gain can be expected to be made in the futures market to offset the fall in the value of the product and the desired price perceived in January can be achieved. This operation is known as a short hedge, the first transaction involved in selling futures.

Another example might be a gas-oil distributor who would like to increase stocks of gas oil prior to the winter season and enter into a long hedge. In April he finds there is an attractive price for October gas oil and purchases futures contracts at this price equivalent to this estimated shortfall. At the end of September he buys physical gas oil and sells out his futures contracts. The profit or loss from the futures transaction, when set against his physical transactions, enables the distributor to achieve his October purchase at the price level available in April.

All futures markets take time to develop volume — the heating oil market in New York took more than two years before it regularly started to trade in four figures daily — and it was originally anticipated that it would be Christmas before IPE could expect a daily average volume of 500 lots. However, volume has exceeded all expectations. Apart from a seasonal low in August and September, the market quickly established a daily average of around 900 lots and in the second week of October a daily high was reached at 2,714 lots. In the same week the 100,000-contract mark was passed and in the first six months contracts for 10.2 million tons were traded.

Given this encouraging start, consideration is being given to the introduction of new contracts. There is still considerable work to be done in establishing acceptable specifications and methods of delivery, but the new contracts to be introduced would be for a light distillate or gasoline and heavy fuel oil. This probably will not be within a year but availability of these new contracts with gas oil would create the opportunity to hedge crude oil costs.

Peter Wildblood is secretary of the International Petroleum Exchange of London, Ltd.

COMMODITIES

Uncertainty Clouding World Grain Markets

By Terence C. Bird

SEVERAL months of bearish statistics have resulted in the world's major grain, oilseed and oilseed products experiencing a steady decline in prices, as reflected by the Chicago Board of Trade futures markets. In Western Europe, however, the appreciation of the dollar against most European currencies (especially the Deutsche mark and the Dutch guilder) has kept price levels of imported dollar commodities relatively steady despite, the fall in actual U.S. commodity prices.

On a deflated basis, prices (in dollar terms) are at relatively low levels, yet the fundamentals remain bearish. Recently, the U.S. Department of Agriculture released crop production projections for this year, as shown in the table at right.

The significance of this report is the large increases projected for the corn and soybean crops over the September estimates. The market had in general been expecting a slight decline in the soybean projection and an increase in that for corn to somewhat more than the 8-billion-bushel level. A virtually unchanged all wheat figure had generally been anticipated.

A comparison of this year's crops to the levels achieved in 1980 can distort the overall picture to some extent because the 1980 crops were damaged by severe drought conditions. This year's production levels, however, are at, or near, records, and the latest report could exert further pressure on Chicago Board of Trade price levels.

Harvesting

It is also significant that the wheat crop is already harvested but at this time the U.S. corn and soybean harvest is moving into full swing and an increase in farmer marketings is likely at least to place a lid on any upward move in prices.

As for corn, a study of the crop years beginning with 1961-1962 shows successive increases from the July to October estimates 35 percent of the time (seven years). Of those years, the average change from the September to October estimates had been an increase of 46 million bushels, with a maximum of 122 million and a minimum of 7 million.

The increase this year has been 141 million (exceeding the previous maximum). It has further been observed that the October estimate was lower six of the seven times than the final number by an average of a significant 259 million bushels, with a maximum of 549 million bushels and a minimum of 10 million. This is mentioned to suggest that, given no unusual harvest difficulties, the possibility of a crop of at least 8.5 billion bushels should not be ruled out.

It should also be kept in mind that frost episodes on Oct. 2 and 3 in parts of southern Minnesota, northern Iowa, western Wisconsin and northerly areas of Indiana and Ohio in all probability did minimal damage. The frosts had given a supportive influence ahead of the October crop report, but as damage is generally expected only to result in a slight loss in yield and the use of some corn for silage instead of grain, it would appear to be too optimistic to expect a reduction in the crop production level for corn. Because soybeans grow nearer ground level, it could conceivably be expected that a reduction in the current projection for soybeans will be made.

Negative Conclusion

Because of these factors, one can hardly draw anything but a negative conclusion as to the price outlook for the corn market and, to a lesser extent, the soybean market. The supply side is, however, only a part of the overall situation and a number of other considerations must be taken into account.

The main question in the market now is whether several months of continuous price declines have effectively discounted the bearish fundamentals or whether the market has yet to witness a "selling climax." That the fundamentals are bearish has not gone unrecognized, and the October crop report will dispel any lingering doubts about the adequacy of new crop supplies, erasing a year-old underlying bullish market factor.

One of the major market negatives during the last months has been the high U.S. interest rates and their subsequent supportive influence on the U.S. dollar. This has resulted in increased carrying costs and continues to put a downward bias on the market, as the high built-in premiums reflected in the deferred contracts erode when those contracts approach expiration.

Declining Rates

The bearish complexion of the fundamentals has caused succeeding contracts to expire at consecutively lower price levels. This is the area that would appear to hold the key to future price movements for the grain and soybean-complex markets.

A declining U.S. interest rate and subsequent decline in the value of the dollar could lead to an explosive return from the demand side. The U.S. prime rate has fallen recently from its high of 21.5 percent.

U.S. money supply growth is within its targeted range and interest rates do appear set to move lower. Further declines in rates would be expected to take a somewhat slow process due to large Treasury borrowing requirements during the fourth quarter together with an upturn in seasonal loan demand from the corporate sector. A deteriorating balance of payments for the United States because of the high level of the dollar will probably also lead to a further weakening of the dollar against major international currencies toward the end of 1981 and in 1982.

High interest rates have had a devastating effect on the Chicago Board of Trade markets, in that high carrying costs have discouraged inventory holding. The appreciation in the dollar has discouraged exports. Consumption of "invisible" stocks and pipeline supplies has made reported usage figures appear even lower than actual levels probably were. In view of this, it can reasonably be assumed that inventories are at a very low level. The seasonal tendency is for demand to increase in the autumn, especially for animal feedstuffs for the winter months. A further seasonal tendency is for lows to be established at harvest time, which encourages commercial users to take coverage.

It would therefore appear prudent to start looking more toward the demand sector, as the October crop report would seem to have given a final push on the negative side of the picture. Early and somewhat reliable indicators of demand for corn and soybeans for the entire year will become evident by January, 1982 — at that time available stocks will indicate to what extent feeding has increased, along with cumulative weekly export progress. Wheat usage already indicates a substantial increase over last year's levels. Exports are running at a very good pace, and it is highly probable that total usage will more than equal production and ending stocks will actually decrease in both bushels and as a ratio of stocks to usage.

The Soviet Union faces its third consecutive crop failure due to drought stress, and its imports will continue at a very high level through 1982. Actual Soviet import capacity remains questionable, but it would appear conceivable that the nation is in a position to import at a very high level, especially from the United States.

China has indicated that it will continue to purchase "if the price is right." European demand could experience a sizable recovery if the exchange rates move in the right direction. The Indian peanut crop is expected to show a decline against last year (India is an edible-oil-deficit country, and its peanut crop is the fourth-largest oilseed crop in the world). Soviet vegetable oil production has fallen steadily during the last several years and both of these countries are expected to continue importing at high levels.

These are just a few examples on the demand side, and memories from the past decade indicate how quickly a surplus stocks situation can turn into a deficit and how dependent world supplies are on the vagaries of weather.

After painting an initially bearish picture on the price outlook for the major grains and oilseed complex, one must insert a note of caution as to the possible downside potential for the Chicago futures market.

After the October crop report and the harvest pressure up to at least late October, timing would appear right for final sell-off in the current bear market.

However, the anticipatory nature of the futures markets suggests that the time would be better used to start the scale-down buying back of speculative short positions. For commercial users, a scale-down program of inventory accumulation would also appear to be attractive on any further weakness in Board of Trade prices. Great attention should also continue to be paid to movements in U.S. currency and interest rates.

Terence C. Bird is a grain specialist at E.F. Hutton & Co., Ltd.

USDA Crop Production Projections
(Figures in thousands of bushels)

	Conditions as of Oct. 1, 1981	Conditions as of Sept. 1, 1981	Final 1980 Crop
Soybeans	2,106,568	2,089,418	1,792,062
All Wheat	2,749,785	2,750,115	2,369,666
Corn	8,081,441	7,940,421	6,647,534

Coffee Outlook Seen as Bullish After International Pact

By J.A. Patterson

AFTER extended negotiations, the delegates to the International Coffee Organization meeting in London arrived at a compromise agreement on Sept. 25 for the October, 1981-September, 1982 coffee year — "compromise" because it is impossible to make everyone happy about the overall quota, individual quotas or the price brackets around which increases and cuts in quotas are implemented.

Since the disastrous frost in Brazil on July 20, which wiped out about 14 million bags from a total world exportable production of 73 million bags, it has been almost a unanimous opinion in the trade that the ICO would continue, at least for another year. This view was justified by the amount of good will evident among official coffee delegations during the recent talks.

The problems involved were highlighted, however, when it took nearly a week longer than the scheduled two weeks to reach agreement.

The bones of the agreement are for a basic global quota to member consumers of 56 million bags, depending on price. It was agreed that only 13 million bags would be sold in the first quarter unless prices reached 115 cents a pound, at which level an additional 1 million bags would be brought forward from the balance of the annual allocation. It was further agreed that from Dec. 1, unless prices rise to 120 cents a pound, there should be two 1-million-bag cuts, followed by two 1-million-bag cuts at 115 cents a pound, with similar increases in quota if prices reached the 140- and 145-cent levels. By this method, the ICO hopes to keep the supply side of the market on a tight rein to ensure the best capital returns for producer members.

There are a number of futures markets thoughout the world dealing in coffee, but the two principal ones are in London and New York. Both these markets are in ICO member countries and deal only in ICO quota coffee.

The London and New York markets are somewhat different animals and, although the general trend in prices is reflected on both markets, there is much room for individual movement, mainly due to two factors: currency, with London quoting in sterling per metric ton and the United States in U.S. cents per pound; and quality basis, which in London is Robusta coffee of mainly African and Indonesian origin, while in New York it is a washed Arabica contract covering mainly Central American mild coffee.

These differences, of course, give rise to opportunities for arbitraging between the two markets. But this can be a costly exercise, as can be seen from the present differential of nearly 40 cents per pound against the historic 10 to 20 cents per pound.

On the supply side, there would appear to be sufficient coffee in the world to meet ICO importing member demand for the coming year at least, with worldwide exportable production in 1981-1982 at about 73 million bags and demand at about 62 million bags.

Deficit Forecast

For 1982-1983, one can expect a small deficit, with the ever-present possibility of another Brazilian frost in 1982, which makes life particularly arduous for the poor "coffee man" who has to live through three to four months a year during which an hour of low temperatures in Brazil can wipe out up to 25 percent of total world production and put the market into turmoil.

Such disasters apart, the ICO quota in 1981-1982 of 56 million bags would, on the face of it, seem to be sufficient, especially with the provisions to reduce or increase quotas by up to 4 million bags, depending on market conditions. (Within two or three days of the date of the ICO agreement, prices moved up from about 105 cents to 115 cents a pound, which should allow the release of a further 1 million bags from the 1981 annual allocation, ensuring an adequate supply for the October-December, 1981, quarter.)

In the medium term, however, price levels could gradually work higher, reaching a peak during June-July, 1982. There are several reasons for predicting this:

- Prices are at the lower end of the ICO price brackets.
- The damage caused by the Brazilian frost will only affect the 1982 crop — the present crop had been harvested by July, 1981. Historically, after a disastrous frost, the market immediately shoots up, followed by an almost equally rapid downward reaction, then prices gradually move up as the tightening supply position becomes more evident.
- The 1980-1981 coffee year was started with large quantities of unsold stocks available in consuming countries, a legacy of the Pancafe debacle. Both futures markets had contango configurations (discounts in the near positions), which enabled the trade to carry the stocks at little or no cost and, in turn, allowed roasters to reduce inventories to an absolute minimum, very welcome in a time of high interest rates. When the roaster ran short of coffee, something was always available from the spot stocks. The present situation is very different, with much less coffee available in consuming countries. It is therefore probable that roasters will have to increase inventories by up to two weeks, which would equate to an increased demand of 2 million bags.
- Fears of a Brazilian frost during June-August, 1982.

Against this general bullish sentiment, there is always a case for caution, with the main worry being consumption, especially in Europe, which could experience an increase in retail prices due to the weakness of European currencies against the dollar. The ICO base level of 120 cents a pound was fine a year ago, but today it is a very different picture when converted to Deutsche marks, francs and sterling.

J.A. Patterson is chairman of Woodhouse Drake and Carey, Ltd.

مكتبة الأصل

Rising Trend Is Seen For Gold in London

By Edwin Arnold

IN MY OPINION, London gold prices will show a gently to sharply rising trend during the next six to 12 months. The price has already stabilized with a floor probably around the $425- to $435-an-ounce level basis spot, while the upside in the current market climate is probably no more than $470 to $480 an ounce.

The gently rising price scenario assumes that the problem of reconciling U.S. fiscal and monetary policy is intractable and will keep resurfacing at regular intervals. So far the attractions of receiving a real return on money outweigh the lost opportunity cost of putting money into gold. But that could easily switch if sentiment begins to perceive U.S. inflation rates are accelerating again and the attractiveness of having heavy dollar holdings begins to diminish.

There are more modest signs that this is beginning to happen in the way the Deutsche mark, Swiss franc and yen are enjoying more investment buying. Another sign that Washington does not intend to fight inflation to the death is the way interest rates are beginning to fall in the United States.

Some of the recent comment on the size of the U.S. budget deficit borders on hysteria. One line of reasoning is that an increased budget deficit leads to higher interest rates, which in turn lead to a further increase in the budget deficit, reflecting the fall in government revenues and increased government spending caused by the recessionary situation. The other argument is that higher interest rates to finance the deficit lead to increased weakness in the bond markets, which in turn means less funding and increased money supply.

Short-Term Rates

A few weeks ago, all was doom and gloom. But now short-term U.S. rates are drifting lower and sentiment is improved, if still nervous in the bond markets.

This optimism could vanish again quickly, however, in the face of increased federal or corporate borrowing. After all, the general Wall Street view is that the U.S. economy faces a grim choice between a severe recession caused by high interest rates and severe inflation caused by the 1982 deficit.

If the Americans were so unlucky as to suffer the British experience of both tight money and loose fiscal policy, they could conceivably have both high inflation and a flat economy.

Gold traders will certainly have lots of opportunities in coming months to trade on the latest fears and worries concerning these fiscal and monetary problems. This is not to say that I am expecting U.S. inflation rates to gallop ahead in the next six to 12 months. I do not. Nor do I expect interest rates to reach near negative levels of return versus the underlying inflation rate. They will have to stay relatively high.

Reagan Policies

However, at some points during 1982 we could see the U.S. and international financial community becoming increasingly disenchanted with President Reagan and his economic policies. The gently rising price trend for gold could begin to turn into a rather more sharply rising trend if confidence in the dollar's value and the president's credibility began to wane.

Gold is an alternative investment and as such it is always competing with other investment media. And it could be that it will be some time beyond the time horizon of this article when we will see the conditions of mounting inflationary expectation that make private and institutional investors decide to switch more of their funds in gold bullion or into trading bullion and the related futures markets.

But the evidence to date certainly suggests that the gold price has discounted the possibility of higher interest rates and is beginning to move slightly ahead on the prospect of lower interest rates. We have certainly seen a fair and steady amount of central bank buying of gold — mostly from the OPEC monetary agencies — on the view that it is nice to have a diversification of assets. Indeed, central bank interest in the gold market has given it much more breadth and depth than ever before. And investment buying in the form of heavy carat jewelry in the Middle East and Asia has shown an encouraging improvement. In short, it is difficult to see what can seriously smash the gold price.

The bears will instantly answer: "Massive Russian gold sales to finance their grain purchases." According to the U.S. Department of Agriculture, the Soviet Union is likely to import about 18 million metric tons of U.S. grain in 1981-1982.

This argument is overstated. The Russians are very sophisticated operators in the bullion market both on the buy and sell side. The last thing they want to do is smash it with heavy sales. Soviet sales agents recently did a tour of the Middle East looking for direct sales outlets for their gold. Several monetary agencies reportedly expressed interest in buying gold directly from the Russians at a London related price.

This is a sensible arrangement as the banks can buy bigger volumes of gold at lower average prices than would be the case if they tried to do it directly through the bullion market while the Russians can sell larger volumes of gold at better prices than if they used the bullion market.

Equally, the bear argument that the Russians can only resort to massive gold sales overlooks their ability to raise money on the Euro-dollar market as and when conditions are right and also to coincide with payment dates.

The sharply rising price scenario is entirely to do with the Middle East and how it may develop during the next six to 12 months. One hopes that the assassination of Egyptian President Anwar Sadat will not impede the chances for further talks between Egyptians and Israelis. It only takes a few bouts of escalating tension to see much more activity in the gold markets and a marked increased in actual physical offtake of gold both in the Middle East and for holding in London, Frankfurt or Zurich.

It is also worth pointing out that the rise of Moslem fundamentalism is a disquieting experience for many Arabs. The Iranian revolution in 1979 was based on a return to traditional religious values, and the shock waves from that revolution created a near panic wave of gold buying from wealthy Arabs throughout the Middle East. T.C. Coombs and Co.'s table of average prices shows this very clearly. It was not the only factor but it was certainly an important one.

Their motivation was simple. They wanted to have a large part of their money outside their country of residence. If need be, they could flee abroad to their equity and bond portfolios, cash balances and houses — and to their five or 10 kilograms of gold held in London.

It is not certain that this will happen during the next six to 12 months, but the possibility has increased greatly since the death of President Sadat.

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Gold Price and Supply Statistics

		Average London Gold Price $oz.	S.A. Mine Output (000 oz.)	Krugerrand Sales (000 oz.)	Kruger Sales as % of Mine Output	IMF and U.S. Auction Sales (000 oz)
1974		159	24387	3204	13	—
1875		181	22765	4904	21	1254
1978		125	22778	3004	13	780
1977		147¾	22408	3331	15	6030
1978		193¾	22867	6012	27	8864
1979		306	22613	4941	22	17208
1980		614½	21669	3143	15	2220
1981	Est.	480E	21200E	3800E	18E	0
1980	1st Qtr.	631½	5413	419	8	1332
	2nd Qtr	544	5440	719	13	444
	3rd Qtr	648½	5518	793	14	0
	4th Qtr	627	5278	1212	23	0
1981	Jan.	557¾	1728	284	17	0
	Feb.	500¾	1725	321	18	0
	Mar.	499¾	1781	345	19	0
	Apr.	496¾	1788	123	7	0
	May	480	1744	113	5	0
	June	461	1799	207	12	0
	July	409¾	1788	447	25	0
	Aug.	410½	1795	408	22	0
	Sept.	444¾	N.A.	N.A.	N.A.	0
1981	1st Qtr.	512	6234	950	18	0
	2nd Qtr	479	5299	443	8	0

T.C. Coombs & Co.

Discipline Is Effective Defense Against Risk

(Continued from Page 7S)

affairs are sensibly conducted and that he gets the best from his broker.

Futures markets mainly operate by "open outcry" trading across a "ring" where brokers and merchants conduct business. In active times, the noise can be stupendous and only an experienced ear can detect the bids, offers and traded prices. When a deal is done, the two sides to the transaction, being members of the particular market, record their deal on a piece of paper ("slipping" the transaction) and pass it into the "clearing system." The clearing system is usually operated by a clearinghouse, which is of fundamental importance to the smooth operation of a futures market.

Clearinghouse Function

In essence, the contracting brokers transfer the opposite half of their contract to the clearinghouse, which collects deposits and adverse margins from all member firms at least daily by marking open contracts to market prices. In turn, brokers seek deposits and margins from their investment and trade clients. Thus the investor who buys cocoa at £1,300 per ton and finds prices falling to £1,200 will need to put up £100 per ton adverse margin against his open position.

In U.S. markets, the margins are accounted for as a "pendulum" between participants with favorable and unfavorable margins, cash settlements being made daily. In British markets, somewhat different procedures apply, especially in the case of the LME, where cash settlements are only made on the prompt date of the forward contracts. In U.S. futures markets, the clearinghouse is usually owned by members of the markets, whereas in London the International Commodities Clearing House Ltd., being under independent ownership, acts as an independent guarantor of contractual fulfillment to its member firms. In the U.S. market, members tend to have unlimited liability for any deficiency of funds held by the clearing system arising from the default of another member.

The high turnover in the main world commodity markets is indicative of ease of dealing and capacity for liquidating contracts. An extremely low spread between bid and offer prices is the norm. Commissions are rarely more than 0.5 percent round turn calculated on the gross amount of the contract. Price changes and volume of trade statistics are instantly available to commodity traders from worldwide video systems such as Reuters.

International commodity markets are arbitraged from center to center as merchants buy and sell different futures month quotations in the course of managing their overall positions in much the same way as a stock-jobber trades shares. Consequently, fresh information reaching the market is quickly discounted into prices. In particular, futures and forward markets give continuous and sensitive indication of prices for delivery of material well into the future, reflecting the amalgamated judgment of merchants, producers, consumers and investors in many centers worldwide. Thus futures markets provide commercial traders with the means to fix prices for supply of raw materials.

Option Contracts

Apart from futures trading, the London markets have permitted commodity option contracts for many years. Unfortunately, the image of commodity options has suffered much from disreputable sales practices in the United States and Europe, particularly West Germany, where so-called London options have been marketed aggressively by specially organized sales forces. Often, the "option" has been a worthless piece of paper in no way related to any option contract traded across the floor of a London commodity exchange. Abuses such as these cannot readily be controlled by the market associations themselves so investors must ensure that they deal directly with a reputable broker who is preferably a member of the main market association. Other practices have included marking-up the price (premium) of an option by very large percentages at the retail end rather than charging a normal brokerage commission.

The option contract is in fact a useful adjunct to the commodity trade. There are "call," "put" and "double" option contracts available in most British commodity markets. The call/put option gives the taker (purchaser) respectively the right to buy/sell an agreed quantity and quality of goods at an agreed price from the option granter (seller). A double option confers the right to either buy or sell and effectively comprises a call and a put option.

Options have a role in trade hedging, particularly where quantities of supply have an element of uncertainty. For the smaller investor, they represent a special type of risk aversion in that the investor who purchases an option cannot be at risk for more than the option premium payable and futhermore he pays no deposit upon futures contracts that are matched against his option.

Brokerage services open to the potential commodity investor range from the large international U.S. brokerage organizations, who are members of almost all commodity and financial futures markets worldwide, to more specialized and small firms that provide good service in a restricted set of markets or contracts. Most smaller firms have reciprocal arrangements with the large brokerage houses so that business may be contracted on behalf of their clients on worldwide markets.

There is then a broad choice open to the investor and much depends on what he is trying to achieve. Does he want to be an active trader in many worldwide markets with substantial sums at his disposal and a commitment to spending a lot of time keeping informed and making his own decisions? Or is he working with a small capital base that will permit participation in only a few markets at any one time? Does he want to have a broker manage his account on a discretionary basis? Perhaps he would be better to place money with an independent investment manager specializing in commodity markets, and leave the decisions to him.

Some general guidelines may be of assistance. First, there are few commodity contracts with a capital value of less than £10,000 pounds or $20,000, which, at a 3-to-1 gearing level, implies an investment of one-third of these figures per contract. Diversification suggests that it is imprudent to commence trading with less than £20,000 pounds or $40,000 unless a very active, up-to-the-minute strategy is envisaged — at which stage trading costs can rise sharply.

Second, it is important to check that money not used in deposits and margins is held securely and in a liquid form. If this is to be held with the broker, then the investor should make precautionary credit enquiries and ideally look for segregation of his money from the general funds of the broker. He should also receive interest at a commercial rate on his free cash balances.

Active Trading

Third, the investor should beware of managed programs that trade very actively, whether they be based on computerized trading systems or run by a dealer in a broker's office; such systems may be highly remunerative for the broker but stand limited chance of profit for the investor.

Fourth, the investor should ensure that he receives adequate and timely documentation comprising contract notes for trades done, settlements for "closed" positions, reports of open positions and a regular statement showing settlements, cash movements and any interest received or paid.

Finally, it is sensible to ensure that deals are conducted with a broker who is a member of the relevant market association.

D. Geoffrey Bean is a partner in Bean, Bower & Co.

Gold Futures Trading Soars in Popularity

(Continued from Page 7S)

the prospective gold futures market in London. If false starts, delays and lengthy debate are portents of success, it should outstrip Comex and the IMM. After two years of deliberation, the London market was scheduled to open last September but the launch was postponed, without fixing a new date, due to revised decisions on membership, the suitability of the premises and trading hours. These matters are now settled but the opening date still has not been announced.

London's proposed gold futures market enjoys widespread support — but it has been delayed by a number of factors...

Ironically, controversy continues to surround the one issue settled on in the proceedings. The organizers elected for a contract of 100 ounces, 995-fine gold, the same as Comex and the IMM, but they decided to quote the price in sterling rather than the universally accepted dollar price. The decision is very unpopular with most market traders who feel it will seriously restrict the proposed market's development.

The fact that the board of the new company set up to administer the market is composed of members of the London Gold Market and the London Metal Exchange leads some traders to be more trenchant. They see the sterling contract as an obvious attempt by the big London bullion houses to protect their dollar-quoted physical market. The charge is, of course, denied by the bullion houses. "It emanates from a few commission houses and one or two members of the LME," said Keith Smith, chief executive of Mocatta & Goldsmid.

The arguments advanced by the organizers in support of its decision are that gold futures markets are active only if contracts are denominated in local currency. Far from restricting the market, they say, the sterling contract will add a new dimension as traders can use it to hedge movements in the dollar-sterling rate without recourse to the foreign exchange markets.

"Not so," counter the critics. While it is true that London futures markets in other commodities quote successfully in sterling, most are directly related to an underlying dollar price. In the case of gold it is unavoidable and the sterling contract can only coarsen the price. They point to the success of London's market in gas oil futures; when it opened last April, it opted for a dollar-denominated contract.

Nor do the opponents of a sterling contract find much virtue in the claim that currency hedging will expand the market. It should deter many private investors, particularly abroad, from using it because of the additional transaction across dollar-sterling rates.

Controversy apart, there is no doubt that the proposed market enjoys widespread support. When it opens, it will fill the gap between the markets in Sydney and Hong Kong and in the United States. Whether or not it will match the Comex and the IMM for popular appeal is questionable.

Recent Accord, Price Decline Trouble Rubber Market

By Peter Grange

INTERNATIONAL commodity agreements are rarely free from political contention. The recently activated International Rubber Agreement is no exception. The underlying prices in the agreed range to be supported are too low, the producing countries insist. But, much worse, the steep fall in natural rubber prices since the beginning of 1981 has revived fears of racial turmoil in Malaysia, the major producer.

Last January, the price of top-grade rubber, RSSI, stood at 302 cents a kilogram. By June it was down to 263 cents. Official statements in Malaysia were not muted but so far they have been more notable for their acerbity than their effect: The price in recent weeks has stayed in the range of 220 to 230 cents a kilogram.

The Malaysian primary industries minister, Paul Leong, while allowing that economic conditions in the Western economies were largely responsible for the decline in prices, accused "certain excessive, speculative elements" of further depressing prices to artificially low levels.

"Within limits," the minister was quoted as saying, "we accept the fact that there is a role for speculation as much as there is a need to foster bedging and an active rubber market. But when speculation becomes excessive and rears its ugly head to threaten and undermine the viability of continuing rubber production, then there is a need to counteract such unhealthy forces.'

Consternation

His statements caused some consternation among international rubber traders, particularly those in the London futures market. True, at the time no one was entirely sure where Mr. Leong's finger was pointing. But neither was it entirely clear who had ducked. London traders sought a clarification from Mr. Leong when he passed through London in September. "His charges were aimed at traders in the Far East," a source in London said, with no andible sigh of relief.

It appears that, when Malaysia restructured export duties on rubber, Malaysian Chinese traders — who control about 90 percent of the Malaysian trade — quickly spotted a loophole in the quality related scheme. "They were marking RSS1 as RSS3, a lower grade incurring less duty, and shipping it across the causeway to Singapore where it was re-marked as RSS1 and re-exported," the London source said. The fact that manipulation of grades was widespread is supported by Malaysian statistics showing that exports of RSS1, as a proportion of total rubber exports from Malaysia, is noticeably smaller this year than in 1980.

The unilateral action taken by the Malaysian government to correct what it perceived as artificially low prices confused the market still further. Following strong government warnings to Indonesia and Thailand about the consequences of not supporting the rubber price — interpreted by international traders as a reference to an Indonesian propensity for selling under the umbrella of Malaysian price suport — Malaysian state-owned agencies increased purchases in an effort to maintain prices at 250 cents a kilogram. The measure had limited success: While the price in Kuala Lumpur was steadied, at least for a while, at 250 cents, the best obtainable price on New York was 220 cents.

The price anomaly prompted another delicate question from the international trade to Mr. Leong, but no finger was pointed this time, nor any explanation given. In ambivalent market conditions, sellers were few. Traders took the view that the Malaysian government's actions lacked direction and that it could revise its support price upward at any moment. The market lurched down with a few buyers, mostly quasi-governmental organizations, ruling the roost. And frustation mounted in Kuala Lumpur.

Malaysia's stance on rubber prices is largely explained in terms of the country's domestic politics and the unequal distribution of wealth among its 14 million people. Despite a program of "Malaysianization" begun in 1970, 45 percent of the nation's corporate wealth is still controlled by foreign companies. Of the remaining 55 percent, indigenous Malays, known as Bumiputras, own one-quarter while the country's 4.8 million Chinese own almost three-quarters. The imbalance carries a serious risk of racial conflict between the Bumiputras (or "sons of the soil") and the Chinese minority. Memories of the bitter racial violence in 1969 are deeply engrained in the political consciousness.

There is at least one movement intent on fostering Bumiputra-Chinese cooperation, but it can be of no comfort to the authorities. The Communist Party, traditionally the home of disaffected Chinese, is showing renewed energy in its efforts to penetrate labor organizations and is changing its profile by recruiting from the ranks of the Bumiputras. The political situation is further complicated by fears that any failure to meet the burgeoning aspirations of the Moslem Bumiputras may leave them susceptible to the remedies of Islamic fundamentalists.

Malaysia's fourth five-year development plan launched earlier this year is largely designed to satisfy the Bumiputras. The principal aim is a dramatic increase in the rate of Malaysianization of foreign-owned companies so that by 1990 the Bumiputras will own 30 percent of the corporate sector. The government has certainly not lacked direction in pursuing it: Three British-owned estates have been taken over — Dunlop, Barlows and Guthries — while the Malaysian interests of two other companies, British-owned Harrison and Crossfield and the French-Belgian Socfin group, are the subject of negotiations.

However, the plan assumes an average growth rate of 7.6 percent a year and it will be in jeopardy if earnings from rubber and tin exports — accounting for 25 percent of the country's foreign earnings — fail to match projected levels. The projected price for rubber through 1981 is 300 cents a kilogram, way above the current market price, and tin prices are barely covering Malaysian production costs.

The natural rubber trade is dominated by two factors: Supply is concentrated in one geophical area — Malaysia, Indonesia and Thailand account for 90 percent of rubber exports — while demand is overwhelmingly dependent on automobile production — 70 percent of rubber imports go to that industry, 60 percent for the manufacture of tires. Moreover, the market price of natural rubber has very little effect on automobile sales as only about 1.5 kilograms is used in the manufacture of a standard radial tire. Thus, the consumption of rubber is linked not to its price but to general economic conditions affecting automobile sales.

Two other factors impinge on this close relationship between the automobile and rubber. First, when demand and prices increase, rubber production can be expanded by increased tapping — but only up to a point. A newly planted rubber tree requires about six years to be productive, and a further four or five years before it is fully mature. So while small increases in demand can be quickly accommodated, large increases cannot.

In times of low demand and falling prices, there is still less room for maneuver as the economic structure of rubber production inhibits any corresponding decrease in output. Two-thirds of the commodity is produced by small holders. For example, in Malaysia, the richest of the major producers, about 426,000 households depend on small holder cultivation for a living. Any reduction in output is difficult, if not impossible, to achieve. Indeed, the opposite is more likely as the easiest way for the small holder to maintain his income when prices fall is by producing more.

The second influence on natural rubber prices is competition from synthetics. During the last decade, synthetic rubber has accounted for two-thirds of annual rubber consumption. But the properties of natural rubber — high elasticity, resilience and low heat buildup — argue against any wholesale replacement of the natural product.

Given the dominance of the three major producers of natural rubber and the commodity's continuing importance to the automobile industry, the formation of a cartel would not, on the face of it, anyway, present too many difficulties. But this ignores Malaysian-Indonesian antipathy, not always latent, and the obvious inducement to the importing countries to step up investment in their synthetic rubber industries. When the International Natural Rubber Organization meets in Kuala Lumpur on Nov. 16, it is expected to agree to a modest increase in the underlying price range agreed to more than two years ago in Geneva.

Upper indicative price: 270 cents a kilo		
Upper trigger price: 252 cents a kilo	+20%	Buffer stock manager (BSM) must sell
Upper intervention price: 241½ cents a kilo	+15%	BSM may sell
REFERENCE PRICE 210 cents a kilo		
Lower intervention price: 178½ cents a kilo	-15%	BSM may buy
Lower trigger price: 168 cents a kilo	-20%	BSM must buy
Lower indicative price: 150 cents		

The Buffer Stock

THE INTERNATIONAL Rubber Agreement calls for the creation of a buffer stock of 550,000 metric tons: 440,000 tons in the "normal" buffer stock, 150,000 in the "contingency" stock.

The agreed reference price is expressed in Malaysian/Singapore cents — an average of the Malaysian sen and the Singapore cent at the prevailing rate of exchange.

The daily market indicator price is a composite weighted average of daily current month prices on the Kuala Lumpur, Singapore, London and New York markets. It is obtained by averaging the prices commanded on the four markets by three grades of rubber: RSS1, the top-grade specified as the "contract" on the London futures market, and two factory grades, RSS3 and TSR20. The daily indicator is the trigger for intervention and is also expressed in Malaysian/Singapore cents.

If the daily indicator moves into the price bands fixed at plus or minus 15-20 percent of the reference price, the buffer stock manager may buy for or sell from the "normal" buffer stock. He must buy or sell when the indicator price breaches the plus or minus 20 percent levels.

Should sales or purchases for the "normal" buffer stock reach the 400,000-ton level, the "contingency" buffer stock is brought into operation.

COMMODITIES

Nickel Dealings in London Fail to Meet Expectations

By J.H. Etherton

DEALINGS in nickel on the London Metal Exchange began only in April, 1979. It is therefore still a newcomer with little experience, considering that the LME was founded in 1878.

As with the other newcomer, aluminum, time and experience are needed to induce the trade — producers, consumers and merchants — to take advantage of the opportunities for hedging.

So far consumers and producers have made rather disappointing use of the exchange for nickel. This goes some way to explaining the very substantial differences between the LME and producer prices. Currently the LME prompt delivery price is about £2,730 per ton ($2.253 per pound) ex-LME warehouse, whereas the nominal Inco "posted" price for melting nickel for the month of October (in Britain only) is £4,219.6 per ton ($3.45 per pound), delivered to the customer.

Discounting Seen

Although the posted price of the main producers is published at $3.45 per pound, they are trying to sell at $3.243, their pre-July price, but discounting on this price is believed to be occurring.

When comparing LME prices with the prices at which the various producers sell their metal, it is essential to remember that nickel has traditionally been priced in U.S. dollars per pound, and the substantial vagaries of the dollar-sterling exchange need to be taken into account.

Moreover, producers nowadays quote their price "delivered consumers' works in Europe and North America." Their prices usually include an element of credit, usually not less than 30 days and currently about 45-60 days.

The LME is for prompt cash. A broad rule when comparing prices is to add 10-12 cents per pound for handling, insurance, and freight as well as credit expenses in Europe and about 25 cents per pound for delivery in North America.

The recent U.S. mint tender was awarded to a U.S. metal merchant dealer for about 1,600 tons of briquettes originating from Amax's Port Nickel refinery in Louisiana. Amax Nickel, in its own name, quoted the going producer price $3.24 per pound.

Price-Cutting?

At the time, the winning tender at $2.7189 per pound was not far removed from the LME equivalent. Are we seeing symptoms of a costly price-cutting war? Certainly the current cost of financing LME and merchant stocks, besides the consumer working inventories, is producing a very strong urge to keep such inventories to a minimum and to sell at the going rate, if not occasionally at a loss.

Let us look in general terms at the basic supply/demand and inventory situation. According to Louis Denaro, formerly of Inco and now an independent nickel consultant, demand this year will only be about 1.125 billion pounds, compared with the peak of 1.350 billion in 1979. Production of finished nickel will be about 1.1 billion pounds, to which must be added about 90 million pounds of net imports from the Soviet Union and Cuba.

Consumers will doubtless keep their working stocks low pending revival of the economy. There is thus likely to be an increase in consumer inventories of about 65 million pounds, so that they may reach 360 million by year's end. This is still well below the disastrous level accumulated at the end of 1977. Substantial as this may well be, it is still tolerable in the light of the recent sharp swings in consumption, especially bearing in mind the slow and costly process of reactivating standby mining and smelting capacity.

Modest Role

By contrast with the overall Western world nickel situation, the role of the LME contract is admittedly a modest one. Only 13 million pounds of cathodes and briquettes have been withdrawn for consumption from LME warehouses during the first nine months of the year (1.5 percent of total). Stocks in all the LME warehouses currently amount only to 7 million pounds (or barely 2 percent of those held by producers).

During the course of 1981 the LME spot price slowly but steadily descended from the sterling equivalent of $2.96 down to $2.50 per pound. The exception was the sudden drop to the equivalent of $2.17, recovering quickly to $2.21 on Sept. 28, when metal prices got caught up in the slump on stock market prices.

What policy will the producers pursue? Will they cut production still further, below the current 73.5-percent of capacity? Will one of them liquidate its stocks at whatever the cost, thus engendering a new price war? Above all when and how will the West recover from the current depression and costly high interest rates? It is difficult to predict.

Postwar growth in nickel consumption has averaged 5.5 percent annually. But this slowed down during the late '70s. It is now thought that growth in future years is likely to be on the order of 4 percent a year, compounded. The pattern of consumption has also changed. Mr. Denaro points out that as much as 62 percent of all metal required is nowadays in the form of "charge" nickel for stainless steel, alloy steels and cast irons, rather than in the refined form covered by the LME contract.

Existing capacity is thought to be sufficient to cope with such increases up to the mid-1980s, but Mr. Denaro fears that it may not necessarily be sufficient to cope with the concatenation of overpurchasing, stock rebuilding by consumers refilling their pipelines and the currently depleted warehouse stocks of nickel containing semi-manufactures. Mid-1982 is also the period when the labor contracts at Inco, Falconbridge and Amax are due to be renegotiated.

Notwithstanding the current substantial producer stocks, temporary shortages may thus occur in the not-so-distant future. It is during such periods that the LME contract is likely to prove its worth in attenuating the price upsurges of the free nickel market.

J.H. Etherton is chairman of MacLaine Watson, Ltd.

INTERNATIONAL Herald Tribune

Published with The New York Times and The Washington Post

Page 13 Monday, November 2, 1981

New Taxes Studied By U.S. Senators

By Thomas B. Edsall

Washington Post Service

WASHINGTON — Just three months after passing a major tax cut, leading Senate Republicans are preparing legislation that would require about $60 billion in tax increases over the next three years.

Among the proposals in a list of "potential tax policy changes" is the elimination of domestic international sales corporations permitting companies to defer income from exports. These have become a source of growing friction between the United States and the European Economic Community and their elimination would save the Treasury about $5.5 billion, according to the proposals.

Also included in the proposals are new limits on home mortgage interest and medical deductions; a 50-percent limit on deductions for business meals and entertainment; elimination of long-standing tax breaks for the timber, coal and iron ore industries; and sharply increased excise taxes on gasoline, cigarettes, alcoholic beverages and telephone use.

The Senate Budget Committee is scheduled to take up the tax increase issue this week as it starts to write the second budget resolution that Congress is supposed to pass by the end of the year.

This resolution will set binding revenue floors and spending ceilings for fiscal 1982, and will likely be one of the vehicles for squeezing down the projected deficits in 1982 and the years beyond as the administration wants.

Sources on the Budget Committee said there appeared to be fairly strong support for setting a target of $60 billion in new revenue raising proposals — tax increases — over the next three years. It would then be up to the Finance Committee to decide which taxes to raise and vote the actual increases.

Although the possible revenue-raisers run from a higher excise on beer to repeal of the capital gains treatment of timber income, the most likely choices suggest the tax burden would continue to be shifted from business to individuals. This shift has been progressing over recent years, and the Reagan tax cut enacted in July accelerated the process.

If Congress does approve tax increases for the fiscal years 1982 through 1984 totalling $60 million, it would be taking back just over 20 percent of the tax cut in the Reagan bill, which would reduce taxes by about $280 billion in that period.

The administration and most Republican senators are strongly committed to preservation of the basic elements of the Reagan cut — individual rate reductions of 23 percent spread over three years and speedier depreciation write-offs for business, which experts say will cut business tax liabilities nearly in half. Some senators, however, are not entirely averse to postponement of the individual cuts, particularly the 10-percent rate reduction scheduled for July 1, 1983.

The administration has proposed only minor tax increases over the next several years and has taken no position so far on a larger bill.

But Sen. Robert Dole, the Kansas Republican who is the chairman of the Finance Committee, has indicated at least qualified support for a budget resolution requiring $60 billion in revenue-raisers. Such a requirement would help take the heat off the Finance Committee since it would not technically be taking the initiative in raising taxes, just following orders.

The House Republican leadership has been noticeably less enthusiastic about a tax-increase program, in part because of concern that the Democratic-controlled Ways and Means Committee would seize on a tax bill to try to repeal some provisions in the earlier Reagan bill. The most likely Democratic target is the section of the legislation granting the oil industry more than $11 billion in tax breaks through 1986.

In its list of possible tax increases, the staff of the Senate Budget Committee has included far more than enough to reach $60 billion over three years and many of the suggestions would be politically impossible to move through Congress.

Agip Signs Pact With Tunis

Reuters

ROME — Agip has signed an agreement with Tunis to take a 24-percent interest in a coastal oil exploration venture with Cie. Francaise des Petroles and Tunis, Italy's state oil company reported.

Marathon Oil Company

Amounts in thousands except per share net

	1980	1979
Revenue	8,754,198	7,199,522
Profits	379,016	323,222a
Per Share	6.27	5.34
Total Assets as of Dec31	5,043,092	4,321,133

Pretax value of developed and undeveloped reserves as Dec. 31, 1980:

United States	55,965,973
Canada	184,790
Europe	2,269,815
Middle East and Africa	7,037,027
Other	12,539

a-Includes extraordinary credit of $26.9 million

Marathon's Allure Lies in Wealth of U.S. Oil, Gas Reserves

By Sandra Salmans

New York Times Service

NEW YORK — After Du Pont won the battle for Conoco last summer, much of the speculation on potential takeover targets turned to the Marathon Oil, the 17th-largest U.S. oil company. Friday, many of Wall Street's prophecies were fulfilled when Mobil announced its $5-billion bid for Marathon.

What Mobil wants to buy, Wall Street analysts agreed, are Marathon's substantial oil and gas reserves in the United States, which are especially desirable at this time, compared with foreign reserves.

"Marathon has refining and marketing, like any integrated company," said A.W. Craig, an oil and gas analyst with E.F. Hutton & Co. "But the attraction is the U.S. reserves."

While Marathon refused to comment on Mobil's bid, it has previously declared that it had no interest in a merger. Last July, it arranged a $5-billion standby credit with the Chase Manhattan Bank and 27 other domestic and international banks, presumably to fend off a takeover bid. That credit was in addition to $1.3 billion in credits arranged earlier. On Friday, a Marathon spokesman said only that the $5-billion credit line was arranged for "general corporate purposes."

Marathon has not actively contemplated a merger since the late 1960s, when it announced that it was engaged in "exploratory merger talks" with the Cities Services. Both parties agreed to terminate discussions.

Much of Marathon's appeal is its 49.7 percent interest in the big Yates field in West Texas, one of the three largest oilfields in the United States in terms of remaining reserves. The field, which was discovered in 1926, is producing at a rate of 125,000 barrels a day.

Marathon, headquartered in Findlay, Ohio, was incorporated Aug. 1, 1887, as the Ohio Oil Co. and was a unit of the Standard Oil organization until the dissolution of that combination in 1911. It adopted its present name in 1962.

Marathon operates in most major oil-producing areas of the United States and Canada. At the end of 1980, its proved reserves in North America were 700 million barrels of crude oil and 2.3 billion cubic feet of natural gas.

Less than 24 hours before Mobil announced its bid for Marathon, Marathon announced an agreement in principle to acquire the Husky Oil Co., the U.S. oil and gas subsidiary of Husky Oil Ltd. of Calgary, Alberta, for $650 million. A Marathon spokesman said that it was pursuing the agreement as planned.

While the Husky acquisition might be aimed partly at preventing a takeover of Marathon, analysts said that Marathon's main purpose was to expand its U.S. reserves and acreage for exploration.

"Until recently, Marathon has been underspending on domestic and oil gas exploration to replace its production," said an analyst, who criticized the company's management as insular. "Outside of the Yates field, which is Marathon's 'bank,' the company has not done particularly well in finding oil and gas." The Husky bid is an attempt to rectify that, he added.

Husky's U.S. subsidiary owns the equivalent of 1.4 million acres, with listed reserves of 36 million barrels of crude oil and 96 billion cubic feet of natural gas, mostly in the Western United States.

Another analyst send the Husky deal would give Marathon more exposure to heavy oil technology.

In addition to its oil and gas reserves, Marathon owns four refineries, including one in Garyville, La., which it purchased in 1976 and which is one of the most modern in the United States.

"Marathon has just spent a lot of money there [in Garyville] to produce more unleaded gasoline and higher-profit products," said Charles Andrew of John S. Herold Inc., a publisher of oil industry investment information. The company also has a marketing operation in the Eastern states.

While its domestic operations accounted for 98 percent of Marathon's net income last year, the company may earn substantial income in 1983 from the North Sea Brae field, Mr. Andrew said. Marathon holds a 38 percent interest in the field, through its acquisition of the Pan Ocean Oil Corporation in 1976.

In the Husky deal, Marathon would also acquire Husky Oil (U.K.) Ltd., which has a minority interest in nine exploration blocks in the British sector of the North Sea.

Marathon also has crude oil production in Libya, Nigeria and Abu Dhabi

GM Grows Impatient For Regulatory Relief

By John Holusha

New York Times Service

DETROIT — General Motors Chairman Roger B. Smith has an extra $500,000 a day to spend on new cars since the federal government decided two weeks ago not to require air bags or other passive restraints on 1983 model cars.

That is not a whole lot of money for a company that is spending a little under $1 million an hour around the clock oo oew plants and products. By now, more than 10 months since the inauguration of Ronald Reagan, General Motors, like thousands of other U.S. manufacturers, had hoped to realize far greater savings from the administration's promises to purge many of the federal regulations of business.

Deregulatiou to date has done little to pull the giant automaker out of its severest slump in decades. The automakers continue to report dismal results. In the third quarter, GM posted a loss of $468 million, Ford $334.5 million and Chrysler $149.3 million.

And General Motors is getting impatient. The savings from deregulation may come, Mr.Smith said, once they work their way through the bureaucratic pipeline and, in some instances, Congress.

For the moment, though, he takes satisfaction in the realization that, if GM has not felt much of the impact of deregulation, at least it need no longer fear adoption of new regulations.

The single largest achievement of the Reagan approach to regulation, Mr. Smith said, is not so much getting rid of the existing regulations but preventing the new ones from going into effect. "If nothing else," he said, "our hearts are lighter."

GM's experience with deregulation is a test not only of the administration's promises but of its economic theories as well. By easing the federal grip on industry, the administration has promised that industry could turn the resulting savings to investment in better plants and improvements in productivity.

Not surprisingly, many of the administration's critics contend that the deregulation that is good for General Motors is bad social policy for the country. Executives at GM dwell on the added costs, but environmental and safety advocates argue that the auto compa-

(Continued on Page 15, Col. 1)

AP

Roger B. Smith

... *'our hearts are lighter'*

Wall Street in Grip of Optimism

By Carl Gewirtz

International Herald Tribune

PARIS — Financial markets in New York went wild Friday as stock prices as well as bond prices soared oo expectations that interest rates would be cut. The optimism was rewarded after the markets closed when the Federal Reserve announced a full percentage point cut to 13 percent in the rate it charges on loans to commercial banks.

The discount-rate cut, the Fed insisted, was aimed at bringing the fee into line with market rates. The cost of overnight money, so-called federal funds, ranged from 14 to 14⅝ percent Friday, closing at the higher level. In the week ended Wednesday, the rate averaged 14.87 percent, down from 15.32 percent the week before.

With all the signs pointing to a deepening recession and with demand for loans at commercial banks declining, banks began cutting their prime rate — one to as low as 17 percent.

But it was the mid-Friday comment by Salomon Brothers economist Henry Kaufman that additional declines in money-market rates lie ahead that triggered the

EUROBONDS

rally on Wall Street. He predicted that the fed funds rate — the key money market rate on which all other interest rates are scaled — could drop as much as 2 percentage points in coming weeks.

Overlooked amid all this joy was that Mr. Kaufman had been saying all along that rates would soften through the end of this year, but that they will then surge to oew highs — a warning that he reiterated Friday. However, there was a difference in ouance. Two weeks ago, Mr. Kaufman said the uptick would occur within six months. Now he says the new highs will be set within the oext 12 months.

Also overlooked was the evidence that President Reagan's economic policy is in disarray. An increasing number of administration heavyweights are admitting that the government is unlikely to achieve its goal of balancing the federal budget by fiscal 1984.

Questioned at a Senate Budget Committee hearing about whether the budget-balancing goal can be meet, Treasury Secretary Donald Regan said Friday that "it's possible, but not probable" — a view already expressed by Budget Director David Stockman and Treasury Undersecretary Beryl Sprinkel. Mr. Regan told the committee that the administration is reviewing its economic projections in light of the current recession and probably will revise its forecasts downward.

Mr. Regan also confirmed that administration officials are debating proposals for higher excise taxes, an import fee on oil and various other ways to help close the deficit. The president, meanwhile, has asked Congress to approve a three-year package of tax increases totaling $22 billion to help close the deficit. Mr. Regan said details of

(Continued on Page 15, Col. 2)

Libyan Loan, Like Politics, Makes Strange Bedfellows

By Carl Gewirtz

International Herald Tribune

PARIS — If Eurobankers have a creed, its first tenet is that politics and finance do oot mix: Loans are granted oo the commercial assessment of whether the borrower is creditworthy and the terms profitable.

This is how bankers have justified their voluminous lending to the Soviet Union and its East European satellites, which has enabled those countries to avoid many of the guns-and-butter economic choices forced on Western

SYNDICATED LOANS

governments. Or to coffee producers when their income fell short because they were withholding beans from the market in an effort to drive up the price. The bankers did likewise for the oil producers.

Now Libya, roundly condemned in Western circles for its support of international terrorism and its interventionist policy in Africa, is seeking to borrow $200 million. No official explanation has been given about Libyan plans for the money. In fact, it is suggested that Libya does not need the funds but is only interested in establishing its financial respectability.

As would be expected, the bulk of the management group — five out of seven banks — are Arab institutions led by Arab Banking Corp., whose chief executive is the former head of the Libyan Arab Foreign Bank, guarantor of the loan.

Somewhat more surprising as co-managers are Banque Européenne de Tokyo and the Crédit Lyonnais. French government officials were surprised, oot to say dumbfounded, to hear that the third largest state-owned bank was co-managing the loan at a time when France's relations with Libya are strained over Libya's intervention in Chad.

Crédit Lyonnais officials explain that the agreement to participate was made weeks ago, before the current crisis boiled up. In addition, they stress that the decision to gn into the loan was as much a reflectinn of the credit-standing of Libya as a statement of support fnr the Arab banks organizing the operadon.

French government officials allow that the timing may be a bit embarrassing, but they insist that the banks are free to do the business they please — a reasonable position in light of the government's plans to sell Libya 10 Airbuses.

So far there are no U.S., British or Canadian banks participating in the seven-year deal, which carries an interest charge set at half a point over the London interbank

(Continued on Page 15, Col. 6)

CURRENCY RATES

Interbank exchange rates for Oct. 30, 1981, excluding bank service charges.

	$	£	D.M.	F.F.	IT.L.	Gldr.	B.F.	S.F.	D.K.
Amsterdam	2.486	4.58	110.185 *	43.875 *	0.2071	—	6.994 *	134.65 *	34.17 *
Brussels (a)	37.725	69.245	16.729	6.6622	3.145 *	15.192	—	20.431	5.198
Frankfurt	2.254	4.16	—	39.73 *	1.878 x	90.77 *	5.98 *	121.77 *	31.08 *
London (b)	1.856	—	4.1722	10.5062	2,227.17	4.606	69.92	3.4287	13.4465
Milan	1,200.05	2,213.50	532.00	211.65	—	483.01	31.835	649.85	165.38
New York	—	1.8695	0.4482	0.179	0.0845 *	0.402	0.2651	0.5487	0.1378
Paris	5.6685	10.468	251.23 *	—	4.715 x	228.00 *	15.025 *	306.30 *	78.05 *
Zurich	1.8512	3.4201	82.105 *	32.60 *	0.1544	74.285 *	4.9131 *	—	25.53 *
ECU	1.0858	0.5889	2.442	6.101	1,293.50	2.6979	40.8093	2.0447	7.8372

Dollar Values

$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$	$ Equiv.	Currency	Per U.S.$
1.1334	Australian $	0.8823	0.0708	Israeli shekel	14.115	0.48	Singapore $	2.0835
0.0632	Austrian schilling	15.81	0.043	Japanese yen	233.30	1.0365	S. African rand	0.9648
0.0239	Belgian fin. franc	41.90	3.5448	Kuwaiti dinar	0.2821	0.0014	S. Korean won	689.05
0.8305	Canadian $	1.2042	0.4383	Malay. ringgit	2.2815	0.0104	Spanish peseta	96.28
0.1378	Danish krone	7.255	0.168	Norw. krone	5.9515	0.1798	Swedish krona	5.5625
0.2264	Finnish mark	4.416	N.A.	Phil. peso	N.A.	0.0265	Taiwan $	37.79
0.0178	Greek drachma	56.225	0.0154	Port. escudo	64.708	0.0435	Thai baht	22.975
0.1703	Hong Kong $	5.8735	0.2924	Saudi riyal	3.42	0.2723	U.A.E. dirham	3.6725
1.5715	Irish £	0.6363	1.1512	S.D.R.	0.8687			

£ Sterling: 1.1015 Irish £.

(a) Commercial franc. (b) Amounts needed to buy one pound. (*) Units of 100. (x) Units of 1,000.

OPEC Price Accord Faces Testing in Market

By Nicholas Moore

Reuters

GENEVA — Having used a world oil glut to curb the ambitions of OPEC's price "hawks," Saudi Arabia seems content to let the glut disappear and to concentrate instead on helping OPEC to maintain prices in a buyers' market.

The Saudis, the world's biggest exporters, had been flooding the market with their oil, despite depressed world demand and anguished pleas from other producers hit by a buyer revolt.

But at the emergency meeting Thursday in Geneva, Saudi Oil Minister Sheikh Ahmed Zaki Yamani secured a realignment of the prices fixed by the 13 members of the Organization of Petroleum Exporting Countries in a deal entailing unprecedented price cuts by an OPEC majority that set rates higher than Saudi Arabia's.

Ups and Downs

The question now for OPEC is whether the deal is the right one to see it through the current depressed demand for its oil, whether the new benchmark is too high, even for the Saudis to defend, and whether OPEC will have to retreat again or fall apart if there is another frantic scramble to attract buyers through discounts and secret price cuts.

The new unified benchmark price of $34 a barrel for Saudi light crude, a $2 increase, will be frozen until the end of 1982. Prices of other crudes were fixed according to quality and proximity to markets, with heavier crudes, for instance some Saudi grades and those of Kuwait and Venezuela, ranging up to $2 below the benchmark.

Those producers that raced ahead of the Saudis to set higher prices in the tight oil market of 1979 had until Sunday to set to their new rates. Libya and Algeria must trim $2 off their official prices to around $38 for their "sweet," or low in sulphur, oil-rich grades.

However, OPEC will consider adjusting the "freight and quality differentials" when it meets Dec. 9 in Abu Dhabi. Sheikh Yamani thinks Algeria and Libya will have to cut another dollar off their prices to attract buyers. Nigeria, exporting similar oil, is to charge only $36.50 on old contracts and $37 on new ones.

Sheikh Ali Khalifa of Kuwait says he is convinced that all 13 members will be able to sell enough to meet financial goals next year, when demand should revive a little although not as much as they might wish.

The oganizadons' output is down to little

NEWS ANALYSIS

more than 20 million barrels daily from 31 million in 1979 when it boosted prices 170 percent. That increase helped tilt the West into recession and sent consumers rushing to turn down thermostats, buy smaller cars and burn more coal and gas.

Sheikh Yamani said that as of Sunday his country is reverting to its preferred output ceiling of 8.5 million barrels a day after averaging more than 10 million for the first eight months of 1981, and just over nine million since September. And Abdul Hadi Taher, the governor of the Saudi Arabia's General Petroleum and Mineral Organization, told the Saudi newspaper Okaz that the country's oil output would be cut by 800,000 barrels a day.

But Sheikh Yamani made it clear that Saudi output could rise if the market tightens enough to endanger the price freeze (he thinks the glut will end next spring). Saudi output could fall further if demand continues to sag and it is necessary to defend the new benchmark.

Given inflation, the price freeze means a decline in the real cost of oil in U.S. dollars, the oil trade's currency.

But Western market analysts see a possible fight for the dwindling market for "sweet" crudes between Libya and Nigeria. Nigeria, with the development needs of a huge population, has shown itself ready to discount ruthlessly to restore lost sales.

Iraq-Iran Factor

In the longer term, there is the prospect that Iraq and Iran could boost war-restricted exports, possibly looking for buyers for at least two million barrels daily more than they currently sell. It remains to be seen if Western economies will have rebounded and oil demand will have picked up fast enough to accommodate them.

Sheikh Yamani is reluctant to be drawn on how much further Saudi Arabia can cut its output to underpin prices. An authoritative source said, however, that Sheikh Yamani thinks the Saudis could probably squeeze by financially if they cut back to six million barrels daily.

Many market analysts consider that would probably be enough to defend the benchmark.

Mexico Raises Prices

MEXICO CITY (Reuters) — The export price for Mexico's top-grade "Isthmus" crude oil will go up $1 to $35 a barrel starting Sunday, Industrial Development Secretary José Andrés Oteyza announced Saturday.

The price of the 50-50 light-heavy export mix increases to $31.75 from $31.25 but the lower grade "mayan" offshore heavy oil would continue to sell for $28.50 a barrel, he said.

Mexico, the world's fourth biggest oil producer, is not a OPEC member but usually sets its price slightly above OPEC's benchmark.

NOTICE OF REDEMPTION

RELIANCE INTERNATIONAL N.V.

(formerly Leasco International N.V.)

This Notice Contains Important Information For All Holders of 6% Guaranteed (Subordinated) Convertible Debentures of Reliance International N.V. Due January 15, 1989.

NOTICE IS HEREBY GIVEN that pursuant to the provisions of Article 4 of the Indenture dated as of January 15, 1969, all the above Debentures (the "Debentures") will be redeemed on Wednesday, November 25, 1981 (the "Redemption Date") at the redemption price of $1,005, together with accrued interest of $43.06, for each $1,000 principal amount of the Debentures.

The redemption payment will be made at any of the following locations:

By hand: Bankers Trust Company, Corporate Trust Operations, 1 Bankers Trust Plaza, Level A, Bond Windows, New York, New York 10006 U.S.A.

Bankers Trust Company, Dashwood House, 69 Old Broad Street, London, EC2P 2EE, England

Banque Bruxelles Lambert, S.A., 24 Avenue Marnix, Bruxelles, 5 Belgium

Pierson, Heldring & Pierson N.V., Herengracht 214, Amsterdam, Netherlands

Credit Commercial de France, 103 Avenue des Champs Elysees, Boite Postale 704-08, Paris 8E, France

By mail: Bankers Trust Company, Corporate Trust Operations, P.O. Box 2579, Church Street Station, New York, New York 10008 U.S.A.

Banque Internationale a Luxembourg S.A., Boulevard Royal 2, Boite Postale 2205 Luxembourg

BHF Bank, P.O. Box 3821, 6 Frankfurt/Main, Germany

Banca Nazionale del Lavoro, Piazza San Fidele No. 3, Milan, Italy

From and after the Redemption Date, the Debentures will no longer be deemed outstanding and interest will cease to accrue thereon.

The Debentures are convertible into shares of Common Stock of Reliance Group, Incorporated ("Reliance Group"), at a conversion price of $62 per share (16.129 shares of Common Stock for each $1,000 principal amount of Debenture). *This right of conversion will expire at 5:00 pm (local time) on the Redemption Date.* Thereafter the Debentures will no longer be deemed outstanding and may not be converted into Common Stock of Reliance Group. There will be no payment or adjustment for interest accrued on any Debenture that is converted nor for any dividends on Common Stock of Reliance Group delivered upon conversion. No fractional shares of Common Stock of Reliance Group will be issued upon conversion of Debentures. In lieu of fractional shares, holders will be paid a cash adjustment therefore based on the closing price of the Common Stock of Reliance Group on the New York Stock Exchange on the last business day before the date of conversion.

Debentures can be surrendered along with written notice of election to convert at any of the following locations:

By hand: Bankers Trust Company, Corporate Trust Operations, 1 Bankers Trust Plaza, Level A, Bond Windows, New York, New York 10006 U.S.A.

Bankers Trust Company, Dashwood House, 69 Old Broad Street, London, EC2P 2EE, England

By mail: Bankers Trust Company, Corporate Trust Operations, P.O. Box 2579, Church Street Station, New York, New York 10008 U.S.A.

Banque Internationale a Luxembourg S.A., Boulevard Royal 2, Boite Postale 2205, Luxembourg

Redemption payments will be made, or Common Stock of Reliance Group will be delivered upon conversion, only upon surrender of the Debentures to be redeemed or converted, together with all coupons appertaining thereto maturing after the Redemption Date.

Holders of Debentures should be aware of the following facts:

(1) On October 20, 1981, the closing market price on the New York Stock Exchange of the Common Stock of Reliance Group was $53.25 per share. On this basis each $1,000 principal amount of Debenture would be converted into Common Stock having a value of $1,242.74.

(2) Reliance Group has announced that a proposal to merge (the "Merger") Reliance Group into a newly formed corporation controlled by Saul P. Steinberg, Chairman of the Board and President of Reliance Group, and members of his immediate family ("the Steinberg Group") will be submitted to holders of Common Stock of Reliance Group for their approval. If the proposed Merger is approved and consummated, holders of Common Stock of Reliance Group will be entitled to receive (a) $58 principal amount of 14% Senior Debentures Due 1996 (the "Merger Debentures") of Reliance Financial Group, Incorporated ("Reliance Financial"), a corporation formed by the Steinberg Group to effect the proposed Merger, and $20 in cash or, at the option of such holder of Common Stock of Reliance Group, (b) 1.03 shares of $15 Cumulative Preferred Stock, $100 liquidation preference (the "Merger Preferred Stock"), of Reliance Financial. Sinking Fund payments will be made on the Merger Preferred Stock in 1982 and in each year thereafter until 1996.

If you have any question about the meaning of this Notice or the most advantageous way for you to respond to it, we sincerely recommend that you consult your banker, broker or attorney.

RELIANCE INTERNATIONAL N.V.

Park Avenue Plaza

New York, New York 10055 U.S.A.

By: Frederick A. Jackson, Attorney-in-fact

International Bond Prices — Week of Oct. 29

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

RECENT ISSUES

Amt	Security	Str/Conv	Issue Pr.	Mid Pr.	Yield
$ 100	Caisse Franc Mat Prem 16 3/4 % 1996 Nov	s	96 5/8	98 3/4	16.98
$ 100	Brit Columbia Hydro 16 1/4 % 1988 Oct	s	100	97	16.99
dm 100	Denmark Mortgage Bank 9 1/2 % 1991 Nov	s	98 1/2	97 1/2	10.91
dm 150	Austrian Control Bk 10 1/8 % 1991 Nov	s	100	97 3/4	10.49
$ 100	Banque Franc Comm w/w 10 % 1986 Nov	s	100	98 3/4	16.37
$ 100	Banque Franc Comm e/w 10 % 1986 Nov	s	100	96	17.31
$ 25	Pemex 17 1/2 % 1986 Nov	s	100	96 3/4	17.88
$ 200	Gmac Overseas Fin 16 1/2 % 1984 Nov	s	99 3/4	98 3/4	17.04
$ 96	Ohio Edison Finance 17 1/2 % 1988 Oct	s	97 3/4	98 3/4	17.82
$ 100	Eib Europ Invest Bank 14 3/4 % 1991 Nov	s	88 3/4	97 3/4	17.22
$ 100	Anheuser Busch Overs 16 1/2 % 1988 Nov	s	96 1/2	97 1/4	17.15
$ 00	Arizona Ps Fin 17 1/4 % 1986 Oct	s	100	100	17.44
$ 150	Hydro-Quebec 17 1/4 % 1991 Oct	s	100	100 1/2	17.14
dm 100	Council Of Europe 10 1/4 % 1991 Oct	s	100	98 3/4	10.45
dm 100	Swedish Export Credit 10 1/4 % 1991 Nov	s	100	92 1/2	10.46
$ 54	Brit Columbia Mun Fin 17 % 1985 Oct	s	100	100 3/4	18.73
$ 40	Simpsons-Sears Acces 17 1/2 % 1988 Nov	s	100	100	17.41
$ 190	Citicorp Overseas 15 3/4 % 1986 Oct	s	100	97 3/4	16.82
dm 150	Asian Developm Bank 10 3/4 % 1989 Oct	s	96	100 1/4	10.70
$ 30	Northern Indiana Pub 17 1/4 % 1988 Oct	s	100	100 1/4	17.10
$ 70	Genstar 17 1/2 % 1988 Oct	s	120	99 1/2	17.61
cn$ 50	Prov Of Quebec 15 % 1987 Oct	s	100	104	16.98
$ 200	World Bank 14 1/2 % 1986 Sep	s	100	96	17.11
$ 100	World Bank 14 1/2 % 1988 Sep	s	100	97 1/4	17.19
dm 100	Belgelectric Finance 11 % 1991 Oct	s	88	100 1/4	10.95
$ 80	Gulf States Overseas 17 1/2 % 1988 Oct	s	100	100 1/4	17.37
$ 100	Canadian Imperial Bk 14 3/4 % 1991 Oct	s	100	88 1/4	12.78
$ 60	New Brunswick Electr 17 % 1988 Oct	s	88 1/2	101	16.75
$ 50	Winnipeg City 17 % 1986 Oct	s	100	100 3/4	16.77
$ 130	Tenneco Intl 17 % 1989 Oct	s	96 1/2	102 1/4	16.40

STRAIGHT BONDS
All Currencies Except DM

HIGHEST YIELDS
to Average Life Below 5 Years

HIGHEST YIELDS
to Average Life Above 5 Years

HIGHEST CURRENT YIELDS

DM STRAIGHT BONDS

(Continued on Page 16)

هكذا من الاصل

هكذا تكون الأعمال

GM Grows Tired of Waiting For Promised Deregulation

(Continued from Page 13)

nies showed scant concern for clean air and safety before laws were passed and regulations written.

But last April, the Reagan administration said it would assist the ailing auto industry by reducing the burden of regulation, rather than grant tax concessions and impose formal quotas on Japanese car imports, as the automakers had requested. Vice President George Bush, who heads the administration's deregulatory effort, predicted that the proposed changes would save the industry $1.3 billion in capital costs and consumers more than $9 billion over five years.

GM executives have calculated that complying with government regulations costs $2.2 billion annually, and that does not include the cost of the devices installed on cars to meet emissions and safety standards.

"When you are making $10 billion a year that $2 billion is one thing," Mr. Smith said in an interview at the corporation's headquarters. "But when you are losing $700 million a year as we did in 1980, you look at it and say 'that's the difference between losing money and making money.' "

Asked if the administration's program has had much impact on GM as yet, Mr. Smith replied, "Unfortunately not." Although some of the 34 regulations on the April "hit list" have been rescinded, most have been minor.

"The ones I think are important, the bumpers [crashworthiness], the EPA [clean air], the ones that have the big money in them, we haven't seen any of those," Mr. Smith said. GM estimates that meeting emissions standards adds $725 to the price of a new car while safety standards add $400.

Nevertheless, the administration has made deregulation a key part of its "supply side" approach to the economy. And business has been accommodated in other ways.

Since the advent of the Reagan administration, Mr. Smith said there has been a change of attitude at federal agencies that in the past tended to view corporate actions with skepticism. He said GM executives who deal with federal regulators report "they finally listened to what we were trying to say without that look of suspicion on their face."

But Mr. Smith fears that, due to the lengthy delays the bureaucratic process needed to rescind rules, changes may come too late to help the company through the current crunch because of the industry's long lead times. Even if the standards were revised tomorrow, he said the effect would not be really felt until the 1983 model year.

As a result of its poor financial performance, auto industry analysts say, GM is being forced to reduce the number of new model cars it will bring out. Mr. Smith says the administration needs to move more quickly if it really plans to assist the automobile industry with deregulation.

"We're trying to be patient because we understand the necessity of rule-making procedures," Mr. Smith said.

BankAmerica Offspring Now a Competitor

International Herald Tribune

LONDON — BankAmerica is reviewing its membership in Visa because of increasing concern about the activities of the payment systems group spawned by BankAmerica in the 1960s.

Sammuel H. Armacost, BankAmerica's president, said in an interview with the Retail Banker International, a London-based newsletter, that he is reviewing the company's retail business and has concluded that Visa is a competitor.

"There are evolving major conflicts," Mr. Armacost said, adding that Visa's entry into the travelers check business has been a cause of "some pain and strain."

A number of leading BankAmerica executives argue that the company should develop and maintain its own proprietary payment systems, on a similar basis to Citicorp and American Express.

Visa was an outgrowth of BankAmericard Corp., which was a subsidiary of BankAmerica until thousands of U.S. bank licensees bought into the organization in 1970. Since then, Visa USA has expanded its operations wordwide through Visa International and is involved in travelers checks, debit and credit cards and money market funds.

BankAmerica's changing attitude to Visa is reflected in its plans for travelers checks. Far from joining the Visa program — as Visa executives have been hoping — the company is going ahead with a proprietary plan of its own to compete in the marketplace with Visa.

Furthermore, a number of top executives say BankAmerica, the parent of the Bank of America, needs an integrated payment systems strategy, covering both travelers checks and credit cards. This would imply that the company might operate a group of proprietary systems on its own.

Discussions have been held at the BankAmerica's headquarters in San Francisco on the possibility of bank launching its own up-scale card to compete with the products of American Express, Citicorp, and, of course, Visa, which recently unveiled plans to launch a premium credit card.

As part of its new aggressive stance in the travelers check market, BankAmerica plans to introduce sterling and Deutsch mark checks next spring and an international claims center is being opened in London.

John Nachtrieb, president of company's traveler check subsidiary, said that "things had slipped a little" in BankAmerica's travelers check business as competition in the worldwide traveler check business intensified in the last two years.

"We had not been paying the attention that was necessary to our travelers check business," he said. "But we are now at a crossroads."

French Banks Join in Libyan Loan

(Continued from Page 13)

offered rate. The spread is considered generous compared with the ⅜ point over Libor that Indonesia and Malayasia are paying for 10 years.

"I'd frankly be surprised if any U.S., U.K. or Canadian banks participate," says an American banker. But when pushed to explain why, or to clarify why politics plays a role in this loan and not in other operations he backs off. "We try to play it down the middle and ignore the status of good will between countries, we try to keep out of politics and assess each credit on its merits."

So why not participate in this loan? "We haven't been approached," he says.

A similar exchange with a Canadian concludes with his saying that his bank is full up on Libyan paper. How can that be when Libya has not tapped the market before? "We do business with Libya, but prefer to keep it to short-term export financing and letters of credit," he explained.

In other business, at least three banking groups submitted bids on Friday to market a $500-million loan for Venezuela. Citicorp organized one group, Morgan Guaranty and Chase another and Lloyds Bank headed up a third. Meanwhile, Banco Industrial de Venezuela arranged a $350-million credit, up from the $300 million originally sought, paying half a point over Libor for four years. Participation fees totaled up to 5/16 percent.

Peru in Market

Peru is reported to be coming to the market for $200 million with Morgan Guaranty expected to lead the 10-year transaction. Also expected is a $200-million loan for Colombia.

British banks will be raising $620 million for a number of Brazilian projects. The operations are part of a $1.2-billion Anglo-Brazilian trade protocol signed last week. The syndicated loan will be for eight years and carry a margin of 2⅛ point over Libor.

A Franco-Mexican accord last week promised credits to Mexico at "favorable conditions." The first of these is a $250-million, 10-year loan carrying a margin of ¼ point over Libor. Such a low margin would be swallowed by banks trying to get into the much more profitable French-franc credits that normally accompany such operations. Nafinsa, the state development bank, will get $150 million for nine years, also paying ¼ point over Libor.

France itself is now expected to be able to increase the size of the standby facility being syndicated for Electricité de France to the targeted $600 million from the $500 million offered.

Elsewhere in Europe, the private Spanish power company Fecsa is seeking $350 million, the largest single borrowing raised by a private Spanish company without any special guarantees. The credit is split into four tranches: $200 million for seven years with interest set at a half-point over the U.S. prime rate for the first five years and ⅝ point over thereafter; $50 million for eight years placed with Japanese banks at ⅝ point over Libor for the first four years and then ¾ point over Libor; $50 million equivalent will be denominated in pesetas with interest set at 1 point over the Madrid interbank rate for seven years.

The final $50 million portion is expected to be denominated in Swiss francs, Deutche marks and possibly guilders. These will consist of fixed-rate private placements with maturities ranging from 8 to 10 years.

In London, Yugoslavia's national bank governor Ksente Bogoev told a press conference that Yugoslavia will seek to tap the market at the same terms it paid last year — 1¼ points over Libor — and will base the size of the loan on bankers' response rather than accept a substantially higher rate of interest to achieve the $400 million it was seeking.

Wall Street Emphasizes the Positive, Skips the Negative

(Continued from Page 13)

the proposals would be sent to Congress later this year.

Also disregarded was the Treasury announcement that it will ask Congress for approval to create a new savings bond that would have a floating rate of interest pegged to market rates to assure an equitable return to long-term investors. Up to now, Washington has resisted adopting floating-rate instruments in the belief that such a move would be interpreted as a signal that it was giving up the fight against inflation.

Another discordant note shrugged off by the market was OPEC's agreement to align prices at $34 a barrel — an effective worldwide increase of $1 per barrel since Saudi Arabia, the world's largest producer, has been selling its oil for $32. In addition, Saudi Arabia is predicting that with its new cut in production the current glut in the world supply of oil will evaporate by the second quarter of next year.

Unquestionably, market participants were emphasizing the positive and disregarding the negative last week. But it remains to be seen how much the euphoria of impending interest rate declines can be translated to the Eurobond market. For as dollar interest rates drop, so does the dollar itself on the foreign exchange market. The dollar, which closed in Frankfurt Friday — before Mr. Kaufman's comments were made public or the Fed cut the discount rate — at 2.254 DM tumbled 1.6 percent by the close of trading in New York to 2.2175 DM.

Lots of Liquidity

Will investors continue buying dollar-denominated bonds as the dollar declines on the foreign exchange market and as interest rates offered on new investments decline? Certainly one positive element for the Eurobond market is that there will be plenty of liquidity available. According to Orion Bank's estimates, interest and principal repayments total $1.64 billion in October and $1.3 billion in November.

There would appear to be little question at this point that the terms on the $75-million, eight-year issue for Newfoundland and Labrador Hydro will be lowered. The paper was marketed with an indicated coupon of 17½ percent and an open price to be fixed Thursday.

By Friday, even before the hurst of enthusiasm in New York, the terms were looking overly sweet and expectations were running high that lead manager Crédit Commercial de France would lower the coupon or cut the yield by pricing the paper at a premium. The bond is callable after six years at a premium price of 102. A purchase fund will operate in the first year retiring up to 10 percent of the issue if the price falls to 98.

The province of Newfoundland, guarantor of the issue, is rated single-A. By contrast, double-A rated Caterpillar Tractor sold $100 million of five-year paper at par bearing a coupon of 16½ percent. The issue, which got off to a slow start, ended the week quoted at 99½ on a when-issued basis for a yield of 16⅝ percent.

Southern California Edison, whose secured U.S. debt is rated double-A (implying a single-A rating for this unsecured offering), is making its third trip to the Eurobond market with a $60-million, five-year issue bearing a coupon of 16¾ percent. Pricing is open.

Although conditions would appear to be set for an avalanche of new issues, only one name was rumored on Friday — Woolworth, rated triple-B, was said to be looking for not less than $100 million for up to five years paying a coupon of 17¼ percent.

The timing on the seven-year, $60-million issue for Canada's Consolidated-Bathurst was unfortunate. Terms were set early in the week when the market was at its low. The issue, bearing a coupon of 17½ percent, was priced at 98½ to yield a record high 17.89 percent for a new issue.

In the floating-rate sector, Banco de la Provincia de Buenos Aires is seeking $50 million for seven years although holders have the option to request redemption at the end of the sixth year. Interest will be set at a quarter-point over the six-month interbank rate and is guaranteed to never fall below 7¾ percent.

Standard Chartered Bank is seeking $100 million for 10 years, offering a coupon set at ⅛ point over the six-month interbank rate. It guarantees a minimum coupon of 5¼ percent. The paper is callable at par in the fourth year.

Ste. Financière Européenne, a Paris-based consortium bank, is selling $50 million of eight year notes bearing a coupon set at ¼ point over the interbank rate.

In an effort to re-open the gorged convertible bond market for Japanese issuers, Tokyo Land Corp. plans to offer in the Asia-dollar market $15 million of 15-year bonds on Nov. 21 under the aegis of Arab Asian Bank and Daiwa Securities. Coupon and conversion price are expected to be announced this week.

The West German capital market subcommittee approved a November calendar of 750 million DM of new issues.

The first of these, a five-year, 100 million-DM issue for Finland, is currently on offer bearing a coupon of 10½ percent and priced at par. It was quoted on a when-issued basis at 98½.

This week, Westdentsche Landesbank is scheduled to launch a 100-million DM issue for Venezuela, which is expected to carry a coupon of 11¾ percent. WestLB will also manage a 100 million-DM issue for Quebec Hydro, scheduled to be marketed Nov. 16.

On Nov. 20, Commerzbank will introduce a 150 million DM issue for New Zealand.

In addition, two issues of 150 million DM each are expected to be launched for supranational institutions, the Inter-American Development Bank and the World Bank.

In the Canadian dollar sector, the final 20 million dollars of the six-year issue for Hudson's Bay Co. has been completed, lead manager Morgan Stanley said.

Eurobond Yields*
Week Ended Oct. 28
(U.S. Dollars)

International institutions	15.82 %
Industrials, long term	15.79 %
Industrials, medium term	16.35 %
Canadian dollars, medium term	16.86 %
French fr. medium term	17.48 %
Unit of acc., long term	13.96 %

* Calculated by Luxembourg Stock Exchange

Market Turnover
Week Ended Oct. 30
(Millions of U.S. Dollars)

	Total	Dollar	Non-dollar Equivalent
Cedel	4,721.9	3,858.4	863.5
Eurocl.	6,111.7	5,674.7	437.0

Kredietlux Indices
(Base 100 May 1, 1977)

	Oct. 28
Industrials, US $	48.429
Int'l Institutions	78.111
Canadian $	80.181
UC 17	144.040
UC 9	72.408
DM	90.048
Guilders	94.075
FF	99.715
F Lux	72.801

Treasury Bills

[illegible]

Consolidated Trading Of AMEX Listings
Week Ended Oct. 30, 1981

[illegible]

Volume: 21,310,000 shares
Year to Date: 1,134,440,000 shares
Issues traded in: 772
Advances: 444 ; declines: 203 ; unchanged: 143
New Highs: 24 ; new lows: 67

Gold Options (prices in $/oz.)

[illegible]

Gold 428.50-429.50

Valeurs White Weld S.A.
1, Quai du Mont-Blanc
1211 Geneva 1, Switzerland
Tel. 310251 - Telex 28305

International Bond Prices — Week of Oct. 29

Provided by White Weld Securities, London; a Division of Financiere Credit Suisse - First Boston

Continued from Page 14)

CONVERTIBLE BONDS

— HIGHEST CURRENT YIELDS —
On convertibles having a conversion premium of less than 10%.

Amt	Security	Middle Price	Conv. Period	Conv.Pr p/Sh	Conv. Prem.	Curr. Yld
$35	Metropolitan Estate 8 1/4 % 1996 Jan	30	1 Feb 81 / 15 Dec 95	s 347 – p 323 4/5	4.30-	2.83
$20	Taylor Woodrow 5 3/4 % 1990 Dec	71	15 Jan 81 / 1 Nov 90	p 494 – p 655 3/4	1.98-	2.80
$25	Hanson Overs Fin 9 1/2 % 1996 Oct	70	1 Aug 81 / 7 Oct 96	p 274 – p 329 1/4	.04	3.27
$15	Dynalectron Int 81.83 9 1/2 % 1995 May	79	9 Sep 96 / maturity	$ 12 2/9	8.79	1.12
$15	Massmutual Mtge 50.00 8 % 1994 Jul	23	30 Sep 01 / maturity	$ 20	9.39	14.57
$80	Niigata Engineering 7 1/2 % 1996 Mar	45	18 Jan 81 / 25 Mar 96	yen 327 – 355 1/2	1.67-	2.55
$35	Blocker Energy 45.71 5 1/4 % 1995 Jul	73	1 Jul 80 / maturity	$ 21 7/8	2.33-	
$35	Babcock Nederland 7 % 1992 Oct	42	17 Apr 78 / 15 Sep 92	p 125 – p 120 2/5	4.30-	8.97
$40	Nissho Iwai Corp 8 % 1996 Mar	71	17 Oct 80 / 22 Mar 96	yen 390 – 421 1/2	3.46-	1.94
$100	Ici Inf Fin 124.77 6 3/4 % 1992 Oct	80	1 May 23 / 1 Sep 97	p 460 – p 442 4/5	1.48	6.48
$35	Apache Intl Fin 43.24 9 1/2 % 1996 Jun	89 1/4	15 Jun 81 / maturity	$ 23 1/8	2.55	1.19
$25	Essette Ab 7 3/4 % 1987 May	74	15 Sep 73 / 5 May 89	skr 159 skr 206 1/9	3.47-	4.43
$80	Alusuisse Capit 17.08 6 1/2 % 1993 Jan	64 1/2	16 Jan 81 / maturity	$ 56 5/9	5.54	6.99
$30	Tokyu Co 7 3/4 % 1995 Sep	77 1/2	1 Dec 80 / 22 Sep 95	yen 231 – 255 1/9	3.54-	2.20
$30	Alco Standard 50.00 9 1/2 % 1994 Oct	96	15 Oct 72 / maturity	$ 20	.90-	5.37
$100	Matsushita El Works 7 1/2 % 1995 Nov	78	20 Nov 40 / 20 Nov 95	yen 590 – 452 4/5	.94-	1.95
$35	Inchcape Ltd 151.22		15 Oct 77	p 385 –		

— Explanation of Symbols —

CN$	Canadian Dollar	SDR	Special Drawing Rights
ECU	European Currency Unit	Y	Yen
EUA	European Unit of Account	LFR	Luxembourg Franc
L	Pound Sterling	SFR	Swiss Franc
DM	Deutsche Mark	FF	French Franc
NMD	Norwegian Kroner · DM		

Over-the-Counter

NEW YORK (AP)—Weekly Over the Counter stocks giving the high, low, and last bid prices for the week with the net change from the previous week's last bid prices. All quotations supplied by the National Association of Securities Dealers, Inc., are not actual transactions but are representative interdealer prices at which these securities could have been sold. Prices do not include retail markup, markdown or commission.

Sales supplied by NASD.

(Continued on Page 17)

American Exchange Options

For the Week Ending Oct. 30, 1981

Total volume 141,485

Open interest 2,396,659. r—Not traded. s—None offered. o—Old.

Mutual Funds

Closing Prices Oct. 30, 1981

NL—No load (sales charge). †—Previous day's quote.

SENIOR EXECUTIVE POSITIONS

Published every Monday, this is a compilation of senior positions published in the INTERNATIONAL HERALD TRIBUNE and other selected publications. Comments concerning this feature can be addressed to Juanita Caspari in Paris.

POSITION	SALARY	EMPLOYER	LOCAT.	QUALIFICATIONS	CONTACT	Source
REGIONAL SALES MANAGER		Unitek's Equipment Division.	Europe	Degreed prof.; min. 5 yrs. exp. electronics ind.; Ger., Fr., Eng.	Mr. Roman Benecke, Inter-Unitek GmbH, Fraunhofer Strasse 4b, D-8032 Grafelfing, W. Germany.	I.H.T. 22-10-81
FINANCIAL DIRECTOR		Important Int'l trading Co.	Rome	Eng., Ital.; thorough exp. American Acctg. systems.	Box 988, International Herald Tribune, 55 Via della Mercede, Rome.	I.H.T. 22-10-81
PERSONNEL MANAGEMENT		Leading American Int'l Pharmaceutical Co.	Geneva	Univ. deg. in life science e.g., pharmacy, biology &/or MBA or equiv.; Eng. + Arabic & Fr.; min. 2-3 yrs. exp.; extensive travel.	Box 959, International Herald Tribune, 55 Via della Mercede, Rome.	I.H.T. 22-10-81
FIELD SALES MANAGEMENT		Leading American Int'l Pharmaceutical Co.	Nigeria	Univ. deg. in life science e.g., pharmacy, biology &/or MBA or equiv.; Eng. + Arabic & Fr., min. 2-3 yrs. exp.; extensive travel.	Box 959, International Herald Tribune, 55 Via della Mercede, Rome.	I.H.T. 22-10-81
CHIEF EXECUTIVE		Satellite Television.		Dynamic, imaginative and experienced.	David Berriman, Guinness Mahon & Co. Ltd., 32 St. Mary at Hill, London EC3P 3AJ.	Economist 24-10-81
SYNDICATIONS MANAGER	U.S. $35,000 tax free	Int'l Banking.	Bahrain	Exp. bankers; min. 4 yrs. exp. in such financing of which min. 2 in major financial center in the world; 33-40.	A.F. Ferguson & Co., MS/2418, P.O. Box 7219, Dubai, U.A.E.	Economist 24-10-81
APPLICATION DEVELOPMENT SPECIALIST		General Electric Silicones.	Holland, U.K., France, or Germany.	Deg. in chemical engineering (or equiv.); 2 yrs.+exp. paper (or related) coating ind.; success. sales & mktg. record; Eng. + Fr. or Ger.	A.H.M. De Ries, General Electric Silicones Europe, P.O. Box 117, 4600 AC Bergen op Zoom, Holland.	Le Point 26-10-81
REGIONAL SALES MANAGER		One of largest fast-moving consumer goods co. in the world.	Geneva for West Africa	30's; solid bkgd. sales, distrib. & mktg. of cons. products; Eng., Fr.; knowl. of West African area.	Am & Associates, 12 Rue du Mont-Blanc, CH-1201 Geneva. Tel.: 022/31 60 20.	Le Point 26-10-81
CONSULTANTS TO SENIOR MANAGEMENT		Nolan, Norton & Co.	London	Excellent academic bkgd., prob. incl. MBA or equiv.; extensive practical exp. data processing or related areas; Eng. +.	Mr. H.E. Lockhart, Room 521, Nolan, Norton & Co., 1 Lumley St., London W1Y 1TW.	Frankfurter All. Zeit. 24.10.81
MARKETING RESEARCH		Leading American Int'l pharmaceutical co.	Rome & Geneva	Univ. deg. in life science e.g., pharmacy, biology &/or MBA or equiv.; Eng. + Arabic & Fr.; min. 2-3 yrs. exp.; extensive travel.	Box 959, International Herald Tribune, Via della Mercede 55, Rome.	I.H.T. 25-10-81
PHYSICIAN CLINICAL RESEARCH		Ayerst, a leading pharmaceutical co.	Brussels	Physician with bkgd. in clinical research, clinical pharmacology or cardiology; Eng. +.	Dr. Mauro Marin, Ayerst Research, 247 Rue Royale, 1030 Brussels.	I.H.T. 25-10-81
INTERNATIONAL EDP AUDIT SUPERVISOR	High	Mobil Services Co.	London	30-40; 50% overseas travel; Eng. + Fr., Ger. or Span.; success. career history in EDP audit with deg. level acctg.	Mr. P. Stone, ref. STCTP 6, Mobil Services Co. Ltd., 54-60 Victoria St., London SW1E 6QB.	Sunday Times 25-10-81
FOREIGN EXCHANGE DEALER		The Royal Bank of Canada.	Paris	Mid 20's; Min. 3 yrs. (pref. 5) exp. in dealing spot foreign exchange in Paris; Eng., Fr.	Mr. Olivier Lecat, The Royal Bank of Canada, 3 Rue Scribe, 75440 Paris Cedex 09.	I.H.T. 27-10-81
INTERNATIONAL ATTORNEY	Irish £18-24,000 + car	Fast-growing multinational computer software & mngt. consulting firm.	Dublin	Aptitude & exp. in int'l taxation & in int'l corp. law; min. 4 years relevant experience.	Thomas R. Bennett, Vice President, CACI, 37 Dawson St., Dublin 2, Ireland.	I.H.T. 27-10-81

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(Continued from Page 16)

Over-the-Counter

Sales in 100s	High	Low	Last	Net Ch'ge
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Selected U.S. College Football Scores

EAST

Alfred 16, Albany 0
Allegheny 14, Thiel 13
Bates 10, Colby 6
Bethany,W.Va. 23, Wash. & Jeff. 7
Brockport St. 70, Brooklyn Col. 6
Carnegie-Mellon 7, Hiram Col. 6
Cent. Connecticut 17, American Intl. 7
Clarion St. 20, Indiana, Pa. 13
Concord 18, Salem, W.Va. 7
Cornell 22, Bucknell 15
Cortland St. 10, Canisius 7
Delaware Val. 8, Mansfield St. 8
Edinboro St. 35, Buffalo 0
Fairmont St. 23, Cent. St., Ohio 14
Frostburg St. 48, St. Francis, Pa. 20
Georgetown, D.C. 6, Catholic U. 0
Gettysburg 31, Moravian 7
Glassboro St. 28, Kean 0
Grove City 17, Waynesburg 14
Harvard 41, Brown 7
Holy Cross 14, Columbia 7
Howard U. 49, Norfolk St. 23
Ithaca 37, Hobart 31
Johns Hopkins 46, Wilkes 13
Kings Point 21, Hofstra 14
Lafayette 48, C.W. Post 10
Lehigh 69, Davidson 7
Lycoming 11, Juniata 10
Maine 9, Northeastern 3
Maine Maritime 35, Boston St. 13
Massachusetts 29, Connecticut 24
Mass. Maritime 6, Framingham St. 0
Mercyhurst 26, Niagara 0
Middlebury 55, Hamilton 0
Millersville St. 55, Cheyney St. 19
Montclair St. 27, Trenton St. 23
Muhlenberg 12, Dickinson 7
New Haven 28, S. Connecticut 28
N.Y. Tech 12, Iona 7
Pace 33, Marist 3
Pittsburgh 29, Boston College 24
Plymouth St. 29, W. New England 0
Princeton 38, Penn 30
Rhode Island 14, New Hampshire 12
Rochester 3, Fordham 0
St. John's, NY 40, St. Peter's 0
Salisbury St. 10, Dist. of Columbia 9
Shepherd 35, Glenville St. 14
Shippensburg St. 20, California, Pa. 16
Slippery Rock 49, Lock Haven St. 14
Springfield 7, Norwich 6
Susquehanna 21, Upsala 7
Swarthmore 27, Ursinus 18
Syracuse 47, Colgate 24
Towson St. 24, Delaware St. 7
Trinity, Conn. 20, Coast Guard 9
Tufts 34, Amherst 16
Wagner 45, Seton Hall 7
Wesleyan 29, Bowdoin 25
W. Chester St. 20, E. Stroudsburg 3
W. Virginia 20, E. Carolina 3
W. Virginia Tech 31, West Liberty 19
W. Maryland 35, Lebanon Val. 6
Westmnstr, Pa. 35, Geneva 15
Widener 17, Frnk1n & Marshll 7
Wm. Paterson 14, Jersey City St. 3
Williams 30, Union 6
Worcester Tech 27, RPI 14
Yale 24, Dartmouth 3

SOUTH

Akron 23, Austin Peay 19
Alabama 13, Mississippi St. 10
Auburn 14, Florida 13
Citadel 21, Presbyterian 3
Clark Col. 13, Albany, Ga. 7
Clemson 82, Wake Forest 24
Duke 38, Georgia Tech 24
E. Kentucky 24, Murray St. 20
Elizabeth City St. 28, Fayetteville St. 0
Elon 54, Gardner-Webb 10
Florida St. 56, W. Carolina 31
Furman 35, Marshall 3
Georgia 49, Temple 3
Hampden-Sydney 31, Emory & Henry 6
Hampton Inst. 31, Guilford 3
Illinois Col. 14, Centre 7
Jacksonville St. 28, Delta St. 14
Knoxville 54, Fisk 6
Livingstone 18, St. Paul's 3
Louisiana St. 27, Mississippi 27
Louisiana Tech 17, SW Louisiana 17
Maryville 24, Randolph-Macon 18
Miami, Fla. 17, Penn St. 14
Mississippi Col. 37, Livingston St. 17
N. Alabama 37, Tenn.-Martin 10
N. Carolina 17, Maryland 10
N. Carolina A&T 25, Morgan St. 23
N.C. Central 50, Bowie St. 0
NE Louisiana 55, Nicholls St. 18
Prairie View 8, Mississippi Val. 6
S. Carolina 20, N. Carolina St. 13
S. Carolina St. 40, Morris Brown 6
SE Louisiana 31, NW Louisiana 16
SWestern, Tenn. 19, Principia 9
Tennessee St. 28, Southern U. 18
Tennessee Tech 57, Troy St. 38
Tn.-Chattanooga 17, E. Tennessee St. 0
Vanderbilt 28, Memphis St. 0
Virginia 13, VMI 10
Virginia Tech 29, Kentucky 2
Virginia Union 14, Virginia St. 12
Wash. & Lee 30, Bridgewater, Va. 0
W. Georgia 20, Cent. Florida 6
W. Virginia St. 32, W. Va. Weslyn 32
W. Kentucky 19, Morehead St. 15
William & Mary 31, James Madison 19
Winston-Salem 35, J.C. Smith 13
Youngstown St. 13, Middle Tenn. 10

MIDWEST

Albion 20, Alma 15
Ashland 23, Georgetown, Ky. 8
Augustana, Ill. 35, Elmhurst 0
Augustana, S.D. 34, S. Dakota St. 31
Baker 9, Tarkio 3
Baldwin-Wallace 6, Mount Union 0
Ball St. 35, E. Michigan 12
Benedictine, Ill. 21, Concordia, Ill. 7
Benedictine, Kan. 31, Mid-Am Nazarene 0
Bethany, Kan. 41, St. Mary's, Kan. 6
Bethel, Minn. 23, St. Olaf 21
Bowling Green 13, Kent St. 7
Butler 42, Wittenberg 14
Capital 24, Denison 21
Carson-Newman 35, Franklin 29
Carthage 31, Wheaton 10
Cent. Iowa 23, Simpson 0
Cent. Michigan 30, Ohio U. 21
Cent. Missouri 9, Lincoln 7
Chicago 28, Knox 22
Cincinnati 17, Tulane 13
Coe 38, Monmouth, Ill. 0
Concordia, St.P. 20, Augsburg 14
Cornell, Iowa 29, Colorado Col. 9
Dayton 56, Lane 0
Defiance 20, Manchester 0
DePauw 40, Washington, Mo. 11
Dickinson St. 49, Rocky Mountain 7
Dubuque 24, William Penn 14
Earlham 26, Taylor 13
Evangel 6, Tabor 0
Ferris St. 28, Saginaw Val. St. 6
Findlay 10, Hanover 9
Ft. Hays St. 7, Washburn 0
Friends 42, Kansas Weslyn 15
Graceland 15, Cent. Methodist 13
Grand Valley St. 23, Hillsdale 12
Grinnell 22, Lake Forest 0
Gustav Adolphus 48, Hamline 14
Hope 20, Adrian 3
Illinois 24, Iowa 7
Indiana Central 42, Valparaiso 0
John Carroll 42, Case Western 13
Kalamazoo 20, Olivet 16
Kansas St. 10, Iowa St. 7
Kearney St. 24, Emporia St. 7
Lawrence 23, Carleton 10
Loras 24, Iowa Weslyn 14
Mankato St. 41, St. Cloud St. 7
McPherson 23, Bethel, Kan. 3
Michigan 34, Minnesota 13
Michigan St. 26, Indiana 3
Millikin 50, Carroll, Wis. 21
Minn.-Morris 27, Northern St., S.D. 3
Missouri-Rolla 13, Evansville 3
Mo. Southern 22, Mo. Western 8
Moorhead St. 29, Minn.-Duluth 0
Mount Senario 32, Luther 24
Nebraska 21, Kansas 15
N. Dakota 6, N. Colorado 0
N. Dakota St. 14, Nebraska-Omaha 0
North Park 28, North Central 13
NE Missouri 27, SW Missouri 20
NE Illinois 23, Lakeland 6
N. Iowa 38, E. Illinois 17
N. Michigan 44, Michigan Tech 14
NW Missouri St. 33, SE Missouri 10
NW Wisconsin 49, Marantha Baptist 22
Notre Dame 38, Navy 0
Ohio Northern 7, Wooster 0
Ohio St. 45, Purdue 33
Ohio Weslyn 27, Muskingum 7
Oklahoma St. 16, Missouri 12
Olivet Nazarene 14, Anderson 13
Ottawa, Kan. 17, Culver-Stockton 6
Otterbein 24, Oberlin 7
Pittsburg St. 26, Wayne, Neb. 0
Ripon 35, Beloit 14
Rose-Hulman 27, Sewanee 21
St. Thomas 46, Macalester 0
Sioux Falls 10, Huron 6
S. Dakota 35, Morningside 3
S. Dakota-Sprgfld 9, Dakota Weslyn 0
SW Minnesota 17, Bemidji St. 0
SW Kansas 38, Sterling 6
Toledo 17, Miami, Ohio 10
Upper Iowa 18, Luther 13
Wabash 24, Illinois Weslyn 3
Wayne, Mich. 22, Northwd, Mich. 18
W. Michigan 23, N. Illinois 13
Wichita St. 38, Illinois St. 7
William Jewell 25, Missouri Val. 13
Wilmington 17, Bluffton 14
Wisconsin 52, Northwestern 0
Wis.-Eau Claire 28, Wis.-Platteville 7
Wis.-LaCrosse 23, Wis.-Superior 10
Wis.-Stevens Pt. 20, Wis.-Oshkosh 14
Wis.-Stout 27, St. Norbert 6
Wis.-Whitewater 17, Wis.-Riv. Falls 14

SOUTHWEST

Abilene Christian 31, Stephen F. Austin 0
Alcorn St. 14, Bishop 13
Angelo St. 29, Texas A&I 21
Arkansas 41, Rice 7
Ark.-Monticello 31, Harding 29
Ark.-Pine Bluff 20, Langston 10
Arkansas St. 10, Texas-Arlington 7
Austin Col. 30, Tarleton St. 21
Cameron 38, Cent. St., Okla. 12
Cent. Arkansas 34, Arkansas Tech 19
Grambling St. 17, Texas Southern 17, tie
Henderson St. 42, S. Arkansas 21
Houston 20, Texas Christian 16
Lamar 20, McNeese St. 20, tie
NE Oklahoma 10, NW Oklahoma 7
Oklahoma 49, Colorado 0
Sam Houston St. 29, Howard Payne 17
Southern Meth. 27, Texas A&M 7
S. Mississippi 22, N. Texas St. 0
Sul Ross St. 41, Lubbock Christian 7
Texas 24, Texas Tech 9
Tulsa 50, Drake 6

FAR WEST

Adams St. 17, Ft. Lewis 0
Air Force 7, Army 3
Arizona 48, Texas-El Paso 15
Boise St. 13, Nevada-Reno 3
Brigham Young 31, New Mexico 7
California 45, Oregon St. 3
Cal Lutheran 37, Sonoma St. 7
Cal Poly-SLO 41, Portland St. 12
Cal-Davis 25, Santa Clara 17
Carroll, Mont. 24, W. Montana 21
Chico St. 26, Humboldt St. 7
Claremont-Mudd 25, Pomona 13
Colorado Mines 7, S. Utah 0
E. New Mexico 28, Western St., Colo. 23
E. Oregon 38, Cent. Washington 13
Hayward St. 27, Sacramento St. 10
Idaho St. 24, Idaho 14
Lewis & Clark 37, Willamette 14
Linfield 41, Whitworth 13
Montana 27, Montana St. 17
N.Mex.Highlands 26, Mesa, Colo. 21
New Mexico St. 31, W. Illinois 24
Northridge St. 24, Cal Poly-Pomona 8
Oregon Tech 17, S. Oregon 10
Pac. Lutheran 51, Pacific, Ore. 3
Pacific U. 17, Fullerton St. 16
Puget Sound 7, E. Washington 6
Redlands 31, Occidental 10
St. Mary's, Cal. 20, San Francisco St. 9
San Diego 27, San Francisco 14
Southern Cal. 41, Washington St. 17
UCLA 28, Oregon 11
Utah 17, San Diego St. 14
Utah St. 20, Fresno St. 0
Washington 42, Stanford 21
Weber St. 24, N. Arizona 23
W. Oregon 47, W. Washington 35
Whittier 35, LaVerne 3
Wyoming 55, Colorado St. 21

Reutemann Quitting Grand Prix Circuit

From Agency Dispatches

BUENOS AIRES — Formula 1 driver Carlos Reutemann, who missed winning the 1981 world championship by a point, has retired from auto racing.

"I have totally lost devotion for Formula 1 driving," Reutemann said during the weekend. Reutemann, 39, has driven for Brabham, Ferrari, Lotus and Williams during his 10 year career. He said his decision was final.

Rogers Shoots Final 76 But Wins in Australia

The Associated Press

SYDNEY — American Bill Rogers survived a 3-over-par 76 in Sunday's final round to win the New South Wales Open golf tournament. Rogers had led the tournament from the opening round.

Rogers finished the four rounds with a 7-under 285, beating Australian Lyndsay Stephen by three strokes. Stephen shot a 71 Sunday. Art Russell of the United States (a 69 Sunday), Peter Senior of Australia (a 75) and Sam Torrance of Scotland (72) tied for third with 289 totals.

More Sports On Page 19

Chicago Exchange Options

For the Week Ending Oct. 30, 1981

Option & price		Calls		Puts	
		Nov	Feb	Nov	Feb
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Total volume: 244,153. Open interest 3,973,757. r—Not traded. s—None offered. o—Old.

Consolidated Trading Of NYSE Listings

Week Ended October 30, 1981

	Sales	High	Low	Last	Chge
GMot	4,379,000	39¾	34⅞	36½	—2⅝
IBM	3,433,000	51¾	48¾	51½	+½
Citicrp	2,882,900	25⅞	23½	25¼	+1½
AHome	2,432,400	37⅛	32⅞	36⅞	+3¾
Exxon s	2,394,300	30⅞	29½	30⅛	+¼
SFeInt s	2,369,300	45⅞	44	44¼	—1⅜
USSteel	2,318,000	27	26⅛	28	+⅛
SoRoy	2,317,700	36⅝	27	30⅞	—7¼
Mobil s	2,053,700	27½	25¼	26	—1
Texaco	1,937,000	32⅝	31⅛	32½	+1⅛
Revlon	1,839,500	37⅛	29	29⅝	—8
SonyCo	1,771,100	18½	16¼	18½	+2⅛
ATT	1,744,200	59⅜	57⅞	59½	+1⅛
StorTec	1,723,500	39½	36⅛	39½	+3
Tandy s	1,707,200	36⅞	33⅞	36¼	+2⅛
TexInt s	1,499,100	34	29¼	33⅞	+4¼
SouthCo	1,439,400	11⅞	11¼	11⅜	+½
Schlmb s	1,400,000	57¼	53	57¼	+2½
NMdCr s	1,337,300	17⅞	9⅛	17⅜	+⅞
Boeing	1,313,900	26½	25⅛	26	

Issues Traded in: 2115

Advances: 1218 ; declines: 639 ; unchanged: 258

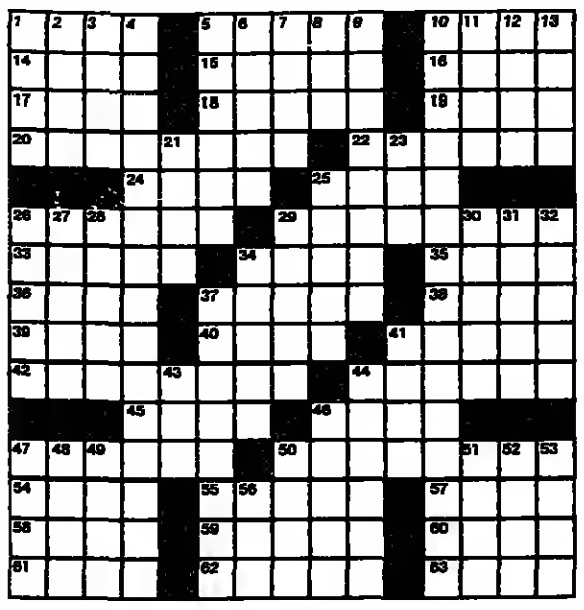
New highs: 80 ; new lows: 100

Volume

This week	227,970,000 shares
Last Week	224,230,000 shares
1980 same week	191,100,000 shares
1981 to date	9,908,606,335 shares
1980 to date	9,327,070,000 shares
1979 to date	6,839,640,000 shares

CROSSWORD

By Eugene T. Maleska



ACROSS

1 Cutting remark
5 Liqueur
10 Milwaukee product
14 Addict
15 John Wayne type
16 Metalliferous deposit
17 Queen who fell in love with Aeneas
18 Certain news items
19 Helper
20 What loud noises do to all other sounds
22 Bare
24 Aerie or nidus
25 Migration
26 Meadowlike
29 Parachute jump
33 Oodles
34 Heath
35 Dinner item
36 Peculiar: Comb. form
37 Ringlets
38 Scottish seaside resort
39 Homophone for a sea eagle
40 Soviet sea
41 Martin or Canyon
42 Home of the Packers
44 Bootblack
45 Satiate
46 Benumb
47 Occasional
50 Flaxen
54 Nimbus
55 Bobwhite
57 Peru was his milieu
58 Algerian seaport
59 Battery part
60 Iota
61 Vanished
62 Classed
63 Memorandum

DOWN

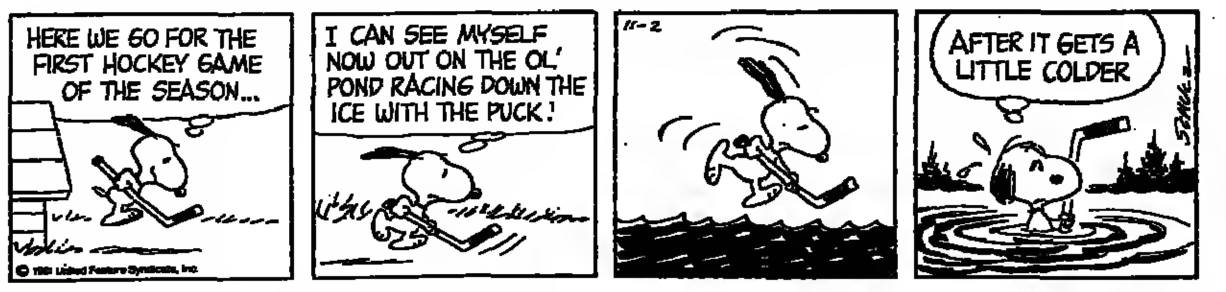
1 Melville hero
2 Saudi Arabian province
3 Fix up
4 House that was a mark of wealth in the 19th century
5 Fastidious
6 Contradict
7 Send forth
8 Floor covering
9 Those who guarantee
10 An Algonquian
11 Agitate
12 Icelandic literature
13 Poison ivy, e.g.
21 Loch ——
23 Jane Rochester, —— Eyre
25 Fish on the move
26 "Peer Gynt" composer
27 Electronic signal
28 Blazing
29 Raid
30 First name of The Veep
31 Bequeath
32 Anchorite
34 Michelangelo's "Last Judgment" is one
37 San Francisco attraction
41 Treat like an untouchable
43 Birthplace of Constantine the Great
44 Plastered
46 Move quietly and smoothly
47 Exhibit
48 Trim
49 Author Paton
50 Stain
51 "—— each life ..."
52 Macbeth or Macduff
53 Harness part
56 "—— Clear Day," 1965 song

WEATHER

	HIGH C	HIGH F	LOW C	LOW F			HIGH C	HIGH F	LOW C	LOW F	
ALGARVE	21	70	16	61	Fair	MADRID	23	73	6	43	Fair
ALGIERS	23	73	7	45	Fair	MANILA	32	90	22	72	Cloudy
AMSTERDAM	14	57	7	45	Foggy	MEXICO CITY	—	—	11	52	Cloudy
ANKARA	16	61	2	36	Fair	MIAMI	28	82	24	75	Showers
ATHENS	22	72	11	52	Cloudy	MILAN	16	61	5	41	Foggy
AUCKLAND	15	59	10	50	Cloudy	MONTREAL	11	52	4	39	Cloudy
BANGKOK	24	75	25	77	Overcast	MOSCOW	8	46	4	39	Rain
BEIRUT	25	77	20	68	Overcast	MUNICH	14	57	10	50	Rain
BELGRADE	19	66	9	48	Cloudy	NAIROBI	27	81	12	54	Cloudy
BERLIN	14	57	7	45	Overcast	NASSAU	28	82	25	77	Cloudy
BOSTON	17	63	7	45	Cloudy	NEW DELHI	28	82	19	66	Overcast
BRUSSELS	16	61	8	48	Overcast	NEW YORK	16	61	10	50	Cloudy
BUCHAREST	16	61	8	46	Overcast	NICE	19	66	12	54	Fair
BUDAPEST	15	59	14	57	Overcast	OSLO	-2	28	-5	23	Overcast
BUENOS AIRES	17	63	5	41	Rain	PARIS	16	61	14	57	Overcast
CAIRO	31	88	16	61	Fair	PEKING	7	45	0	32	Overcast
CASABLANCA	21	70	11	52	Cloudy	PRAGUE	14	57	5	41	Overcast
CHICAGO	17	63	10	50	Rain	RIO DE JANEIRO	26	79	20	68	Fair
COPENHAGEN	9	48	5	41	Cloudy	ROME	21	70	10	50	Fair
COSTA DEL SOL	31	70	11	52	Fair	SALISBURY	28	82	14	57	Fair
DAMASCUS	26	79	12	54	Fair	SAO PAULO	25	77	15	59	Foggy
DUBLIN	13	55	10	50	Cloudy	SEOUL	15	59	2	36	Foggy
EDINBURGH	10	50	5	41	Rain	SHANGHAI	15	59	13	55	Rain
FLORENCE	20	68	7	45	Foggy	SINGAPORE	29	84	22	72	Cloudy
FRANKFURT	17	64	6	43	Rain	STOCKHOLM	6	43	2	36	Overcast
GENEVA	15	59	6	43	Foggy	SYDNEY	26	79	16	61	Cloudy
HELSINKI	4	39	0	32	Overcast	TAIPEI	31	88	23	73	Foggy
HONG KONG	26	79	22	72	Overcast	TEL AVIV	26	79	16	61	Cloudy
HOUSTON	23	73	7	45	Cloudy	TOKYO	21	70	13	55	Foggy
ISTANBUL	18	64	9	48	Cloudy	TUNIS	24	75	15	59	Overcast
JERUSALEM	31	70	10	50	Cloudy	VENICE	16	61	7	45	Foggy
LAS PALMAS	24	75	22	72	Fair	VIENNA	17	63	13	54	Overcast
LIMA	20	68	14	57	Fair	WARSAW	11	52	4	39	Cloudy
LISBON	21	70	10	50	Fair	WASHINGTON	19	66	10	50	Cloudy
LONDON	15	59	8	48	Overcast	ZURICH	14	57	7	45	Fair
LOS ANGELES	33	91	14	57	Fair						

Readings from the previous 24 hours.

PEANUTS



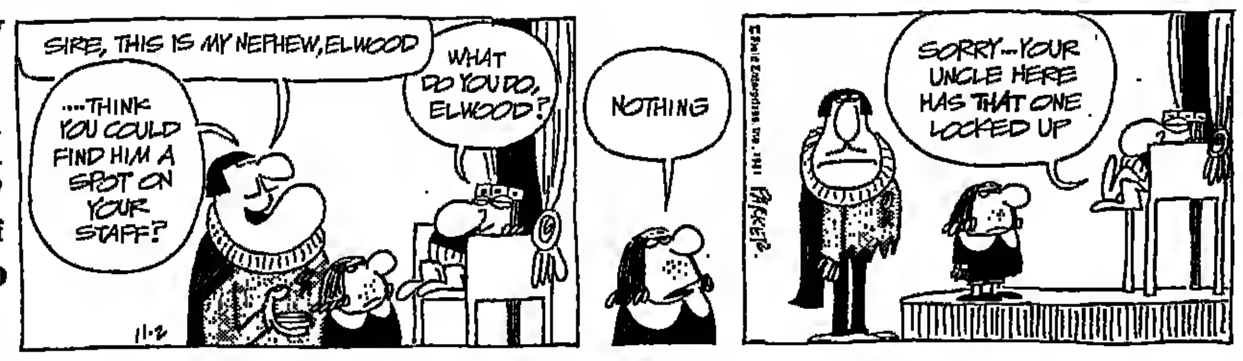
B.C.

BLONDIE

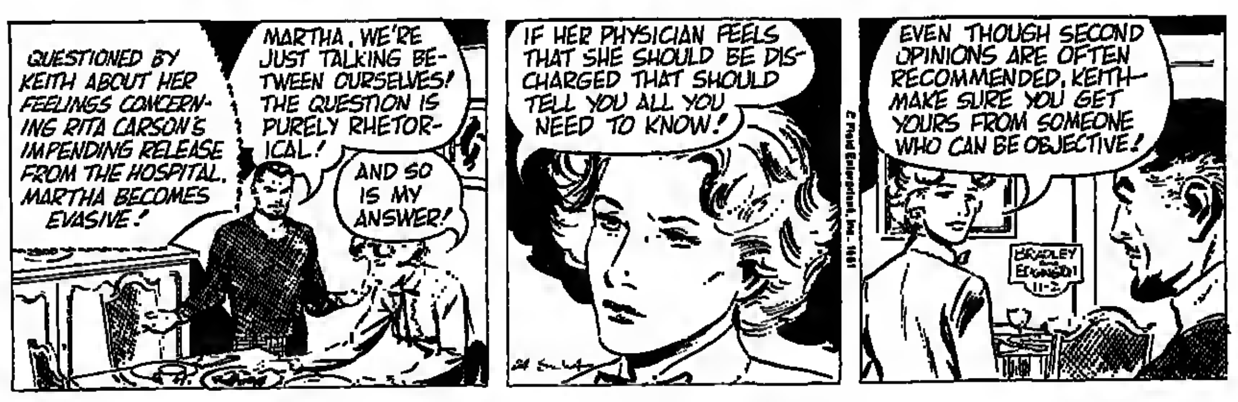
BEETLE BAILEY

ANDY CAPP

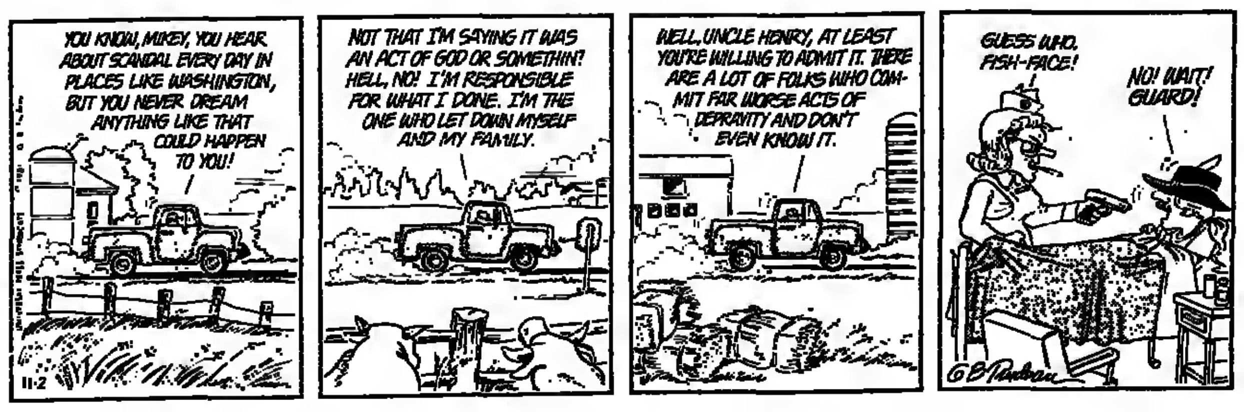
WIZARD of ID



REX MORGAN



DOONESBURY



JUMBLE

THAT SCRAMBLED WORD GAME by Henri Arnold and Bob Lee

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

RICLY

GNUST

BOEDUL

SPEGOL

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here: A "□□□□-□□□"

(Answers tomorrow)

Saturday's Jumbles: BILGE MOTIF LOTION FINISH
Answer: How people who live "loose" lives sometimes end up—"TIGHT"

DENNIS THE MENACE

"WE HAD A KEEN IDEA, BUT JOEY'S MOM SAID THE TOOTH FAIRY ONLY PAYS FOR TEETH THAT FALL OUT NATCHERALLY."

BOOKS

MX

Prescription for Disaster

By Herbert Scoville Jr., 218 pp. $6.95, paperback. M.I.T. Press, Cambridge, Mass. 02142.

Reviewed by Jack Burby

HERBERT SCOVILLE may not lead the United States out of the woods of the MX missile debate, but he certainly leads a reader through those woods better than anyone else in print.

How is it possible that the United States and the Soviet Union — after three terrifying decades of scrambling to reduce the danger of nuclear war — wind up one small step from increasing the danger? Scoville explains. Is there a way out? He thinks so.

The answers are presented in a crisp, surgically passionate, always scary but oddly hopeful 218 pages (plus a glossary of such crucial phrases as "countersilo capability") of superbly simple writing on one of the world's most complex subjects.

Scoville advocates arms control, but he has not written any hand-wringing appeal to throw down the guns. His message is that the United States may or may not need one more generation of bigger, more powerful nuclear missiles but that it does not need the MX buried where the Pentagon wants to put it.

Deployed that way, he says, the MX is fatally flawed on the only point that argues for a new weapons system of any kind: It would not survive a first strike by Soviet intercontinental warheads.

Worse, Scoville says, the MX system the Pentagon wants could, itself, wipe out the land-based nuclear arsenal in Russian silos; for that reason, MX might make the Soviets more, rather than less, likely to launch a first strike — in panic over an outbreak of fighting in Europe or a phony blip on a radar screen.

What makes "Prescription for Disaster" a treasure is that Scoville writes not for other nuclear experts — as do most other nuclear experts — but for those of us whose grasp of global nuclear strategy extends barely beyond knowing how to lace up Army boots.

Scoville starts at Alamogordo and traces the steps and sidesteps that carried the superpowers more or less safely into the 1980s, each following what passes for logic in the nuclear age.

World Is Relatively Safe

The logic is as follows: The world is relatively safe as long as neither side believes it could launch any of its missiles without having missiles come crashing back in retaliation. The certainty of punishment keeps fingers away from triggers and as many as 150 million people alive at each end of the nuclear arc.

The logic is breaking down. With every improvement, the superpowers have moved closer — sometimes by accident — to an array of weapons that could destroy the other's power to retaliate. In theory, that would be the case sometime in the 1980s, when the Soviets could destroy all U.S. Minuteman missiles in their silos with multiple warheads.

The MX missile is the Pentagon's answer to that Soviet edge. Scoville thinks the way out is small submarines, cruising close to U.S. shores, carrying either new MX missiles or missiles already aboard the growing fleet of U.S. missile-launching submarines.

Obviously, nuclear strategy is more complicated than that and Scoville uses every last one of the 218 pages to make it seem simple. The timing of publication could not be better. You can make your own decision by reading this important book.

Jack Burby wrote this review for The Los Angeles Times, where he is an editorial writer.

Solution to Friday's Puzzle

TASKS OAR BOOE
ADEEP EGIS URAL
CANVASBACK FOWL
INASNIT HUFF
TDT KNOW ALLANS
GEARED AESOP
ASSORT BOBWHITE
TEAL REFER EARN
BALOPATE ELANET
ALLEE HEDGED
TEENER TAUT SPA
EFOS NETTIER
SLAY WILDTURKET
KITE EVIL CAELA
IBIS APE ESSEN

CHESS

By Robert Byrne

THE trouble with a gambit is that one man's sacrifice is another man's gain of material. Most players may be intimidated by a gambit, but some are glad to go a pawn or a piece ahead and face the task of defense with a mood of cool optimism.

That is how Florin Gheorghiu, a Rumanian grandmaster, dealt with the gambit thrown at him by Gyula Sax, a Hungarian grandmaster, in the first round of the Hoogoven International Tournament in Wijk aan Zee, the Netherlands.

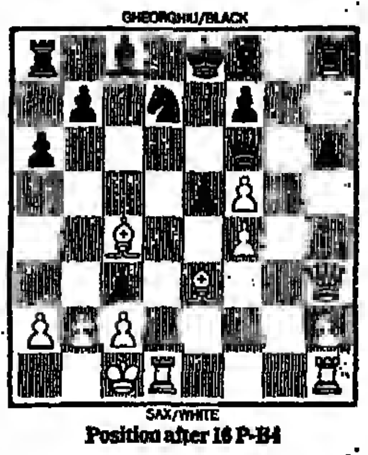
It would oot be in character for Sax to play the tame 7 B-K2, but 7 P-KN4 is heavily committing to an all-out attack. It must not be taken lightly by 7 . . . P-K4?!; 8 N-B5, P-KN3 because 9 P-N5, PxN; 10 PxP! (to back off by 10 PxN?, P-B5; 11 B-Q2, N-Q2 would be to lose the foremost KBP for oothing), P-Q4 (retreat with 10 . . . N-N1 grants White powerful attacking chances, for example by 11 N-Q5, N-Q2; 12 Q-B3, N-K2; 13 B-N6!, QxB; 14 NxQ, NxN; 15 P-B6, N-B3; 16 Q-QN3, N-Q2; 17 B-B4, N-Q5; 18 BxPch, K-Q1; 19 Q-QB3); 11 Q-B3!, P-Q5; 12 0-0-0, Q-R4; 13 PxN, PxN; 14 B-QB4, threatening 15 BxPch!, is perhaps impossible for Black to meet.

Therefore, Gheorghiu followed a plan developed by Lev Polugayevsky. 7 . . . P-R3; 8 Q-B3, QN-Q2; 9 Q-R3, P-K4!; 10 N-B5, P-KN3, with the point that 11 N-N3 (11 NxP, BxN; 12 BxB, N-B4; 13 Q-R4, BxP leaves White in an uncomfortable pin), N-N3; 12 P-B3, P-KR4 forces White into a difficult defense of his kingside.

Sax reinstated the gambit idea with 11 P-N5, PxN; 12 PxBP, but under less favorable conditions since the black QN was already mobilized. Thus, Gheorghiu could afford to play 12 . . . P-Q4; 13 0-0-0, P-Q5; 14 PxN, PxN because after 15 B-QB4, the threat of 16 BxPch was killed by 15 . . . QxP.

Sax tried to take advantage of the black king position by advancing with 16 P-B4 to open central lines, but Gheorghiu efficiently furthered his lagging development by 16 . . . N-B4!; 17 KR-K1, BxP; 18 Q-N2, B-K5; 19 Q-N3, N-K3! which led to a hopelessly blocked king file after 20 PxP, Q-N3.

GHEORGHIU/BLACK



SAX/WHITE

Position after 16 P-B4

While the outlook for Sax's attack was dismal, he should still oot have reduced material by 21 BxN?!, PxPch; 22 KxP, PxB. After 23 Q-B4, R-B1, no longer needing any special defensive measures, Gheorghiu had already begun to counterattack.

Having used up his time in the attempt to penetrate the impervious Black position, Sax erred with 24 R-Q2?! This permitted 24 . . . B-N5, when 25 R-KN1, Q-B4 would either force the exchange of queens or a devastating gain of material. His overstepping of the time limit at the 25th move was a merciful end to his struggles.

SICILIAN DEFENSE

White Sax	Black Gheorghiu	White Sax	Black Gheorghiu
1 P-K4	P-QB4	13 0-0-0	P-Q5
2 N-KB3	P-Q3	14 PxN	PxN
3 P-Q4	N-KB3	15 B-QB4	QxP
4 N-B3	PxP	16 P-B4	N-B4
5 NxP	P-QR3	17 KR-K1	BxP
6 B-K3	P-K3	18 Q-N2	B-K5
7 P-KN4	P-R3	19 Q-N3	N-K3
8 Q-B3	QN-Q2	20 PxP	Q-N3
9 Q-R3	P-K4	21 BxN	PxPch
10 N-B5	P-KN3	22 KxP	PxB
11 P-N5	PxN	23 Q-B4	R-B1
12 PxBP	P-Q4	24 R-Q2	B-N5
		Forfeit	

RADIO NEWSCASTS

BBC WORLD SERVICE

News at 0000, 0200, 0300, 0400, 0500, 0600, 0700, 0800, 0900, 1100, 1300, 1600, 1700, 1800, 2000, 2200, 2300 GMT

Western Europe (m / kHz): 463 648; 49 5.975, 6.050; 41 7.120, 7.185, 7.320; 31 9.410, 9.750; 25 12.095; 19 15.070

East Africa (m / kHz): 212 1413; 49 6.005; 41 7.185, 7.320; 31 9.410, 9.580; 25 11.750, 11.860; 19 15.070, 15.420; 16 17.885; 13 21.470; 11 25.650

North and North-West Africa (m / kHz): 49 5.975; 41 7.185, 7.320; 21 9.410, 9.580; 25 11.750, 12.095; 19 15.070; 16 17.705; 12 21.710; 11 25.650

Southern Africa (m / kHz): 49 6.005; 41 7.185, 7.320; 31 9.410; 25 11.750, 11.820; 19 15.070, 15.400; 16 17.885; 13 21.660; 11 25.650

Middle East (m / kHz): 212 1323; 469 639; 49 6.050; 41 7.140; 31 9.410; 25 11.760, 12.095; 19 15.070, 15.310; 16 17.770, 17.790; 13 21.710; 11 25.650

Southern Asia (m / kHz): 212 1413; 49 6.195; 41 7.135; 31 9.410, 9.740; 25 11.750, 11.955; 19 15.070, 15.310; 16 17.770, 17.790; 13 21.550; 11 25.650

East and South-East Asia (m / kHz): 75 3.915; 49 6.195; 31 9.570, 9.740; 25 11.750, 11.955; 19 15.280, 15.435; 16 17.770, 17.880; 13 21.550; 11 25.650

VOICE OF AMERICA

Broadcasts on the hour and at 28 minutes after the hour during varying periods to different regions.

Western Europe (m / kHz): 232; 75.4 1.197; 50.4 3.980; 49.5 5.955; 41.0 7.325; 37.9 11.760; 30.7 1.296; 25.5 9.760; 25.1 0.792; 19.7 15.245

Middle East (m / kHz): 238 6.040; 1.260; 49.7 7.200; 41.7 9.760; 30.7 11.760; 25.5 11.925; 19.7 15.205

East Asia and Pacific (m / kHz): 190 1.575; 49.2 6.110; 30.7 9.770; 25.5 11.760; 19.6 15.290; 16.9 17.740; 14 17.820; 11.5 26.000

South Asia (m / kHz): 42.2 7.105; 30.7 9.760; 25.2 11.925; 19.7 15.205; 16.9 17.740; 13.9 21.540

Africa (m / kHz): 75.2; 50; 49 1.575; 41.2 6.110; 31.5 26.000; 25.2 9.770; 19.6 11.760; 16.8 15.290; 13.8 17.740; 11.5 17.820

RADIO CANADA INTERNATIONAL

Suggested times are GMT

Western Europe (m / kHz): 0600-0700 Mon-Fri: 49 6.140; 41 7.155; 31 9.760; 25 11.825. 1900-2000: 41 7.130. 1900-2100: 31 9.535; 19 15.325; 16 17.875; 13 21.630. 2000-2100: 41 7.295; 16 17.820. 2100-2300 Mon-Fri: 49 6.170; 19 15.325; 16 17.875

Middle East: 0600-0700 Mon-Fri: 19 15.235; 16 17.860

Africa: 0600-0700 Mon-Fri: 31 9.580; 25 11.775, 11.960. 1800-2000: 19 15.260; 16 17.820. 2100-2200: 25 11.945; 19 15.150; 16 17.820. 2100-2200 Sat-Sun: 19 15.325; 16 17.875

NBA Tying Its Future To Cable TV Revenues

By Steve Hershey
Washington Post Service

WASHINGTON — With salaries continuing to increase and a number of teams floundering financially, National Basketball Association officials are hoping that pay television will provide a creative lifeline for the league.

"Right now, the salaries are escalating quicker than the revenue from cable, but hopefully, down the road, cable will be a source of a large part of our income," said Rod Thorn, general manager of the Chicago Bulls.

Several years ago, only Ted Turner, with his superstation in Atlanta, Madison Square Garden in New York and PRISM, based in Philadelphia, offered a television package that included home games. Now that cable TV is expanding to all parts of the country, more NBA teams are investigating the financial ramifications of televising home games for a fee.

Major Experiment

Seattle is undertaking a major experiment, offering its entire 90-game schedule (exhibition and regular season) for $120 per residence. The subscriber also gets $120 worth of coupons that can be exchanged for game tickets.

Zollie Volchok, team president and general manager, said the cable operation will cost the club $1.2 million. The SuperSonics will have to sell 12,000 subscriptions to break even.

"We're between 9,000 and 10,000 right now," said Lloyd Cooney, the team's director of broadcasting. "Things are picking up every day, but to be honest, we're disappointed. I thought we'd do 20,000."

Seattle officials expected better results because of the team's proven popularity — the Sonics have led the NBA in total attendance for three straight seasons.

After defeating the Washington Bullets to win the championship in 1979, the Sonics set a league record by averaging 21,725 fans per game the following season. Despite the absence of holdout Gus Williams and injuries suffered by Paul Westphal and Lonnie Shelton, the Sonics attracted an average of 16,466 fans per game last season while finishing last in the Pacific Division.

"I firmly believe that cable is the trend for the future," said Cooney, who has spent the last 26 years in broadcasting. "I'm sure there are 22 other teams out there watching to see how we do."

Assuming that 18 of the 23 NBA teams lost money last season, as many in the league believe, it is easy to understand why every team is investigating this possible source of revenue.

Even the Celtics

The defending champion Boston Celtics already have sold 13,000 season tickets in their antiquated 15,320-seat arena and could sell out every game despite the many obstructed-view seats. Still, they are getting involved in cable.

PRISM, the company that operates a sports channel in the Philadelphia area, has put together a package that includes 25 Celtic home games, Big East college basketball, Hartford Whaler hockey, horse racing and movies.

Turner was the pioneer in the field. One reason he purchased the Atlanta Braves and Atlanta Hawks was to ensure a source of programming. Once the Federal Communications Commission lifted the ban on relay satellites, Turner began showing all the Hawk games. His station reaches every state, and suddenly people jokingly were calling the struggling Hawks "America's Team."

To prevent the Hawks from infringing on other teams' territories, the NBA has restricted the number of games a team can broadcast. This year the Hawk televison schedule has been reduced from 60 games to 50.

"We don't believe that televising home games affects the attendance that much," said Michael Oglesby, manager of public relations at Turner's station. "Everybody expects the home games to be on television, but weather isn't a factor, and if people want to see a live event, they go to the arena."

By contrast, many believe that Philadelphia's disappointing attendance last season resulted from the televising of so many home games on cable. The 76ers' average attendance was only 11,447, despite the fact that it had a 62-20 record.

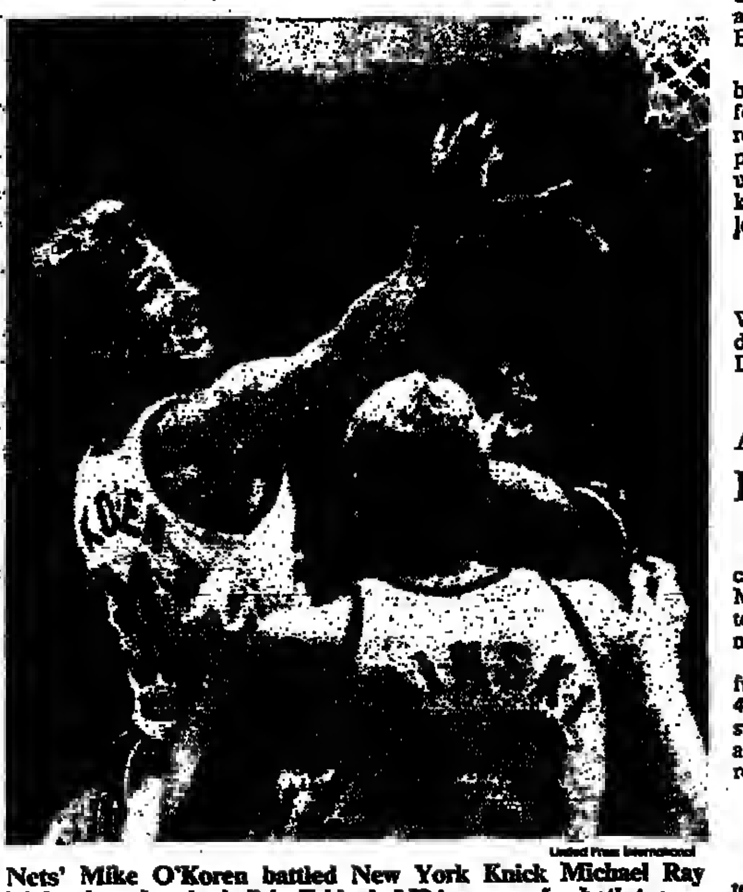
Phoenix is the only team that has protected itself against a decline in attendance, with a 13-year deal just concluded with American Cable Corp. In addition to an inflation-proof rights payment, the cable system is guaranteeing the Suns gate receipts from 11,000 arena tickets this season, 12,000 next year and 13,000 for every year thereafter for the life of the contract. This year, for example, if 6,000 show up for a game, the Suns still would be guaranteed the revenue for a crowd of 11,000.

New York Knick home games have been carried on MSG for 13 years and have earned a tidy profit. The games are part of an entertainment package and the team is paid for each MSG subscriber.

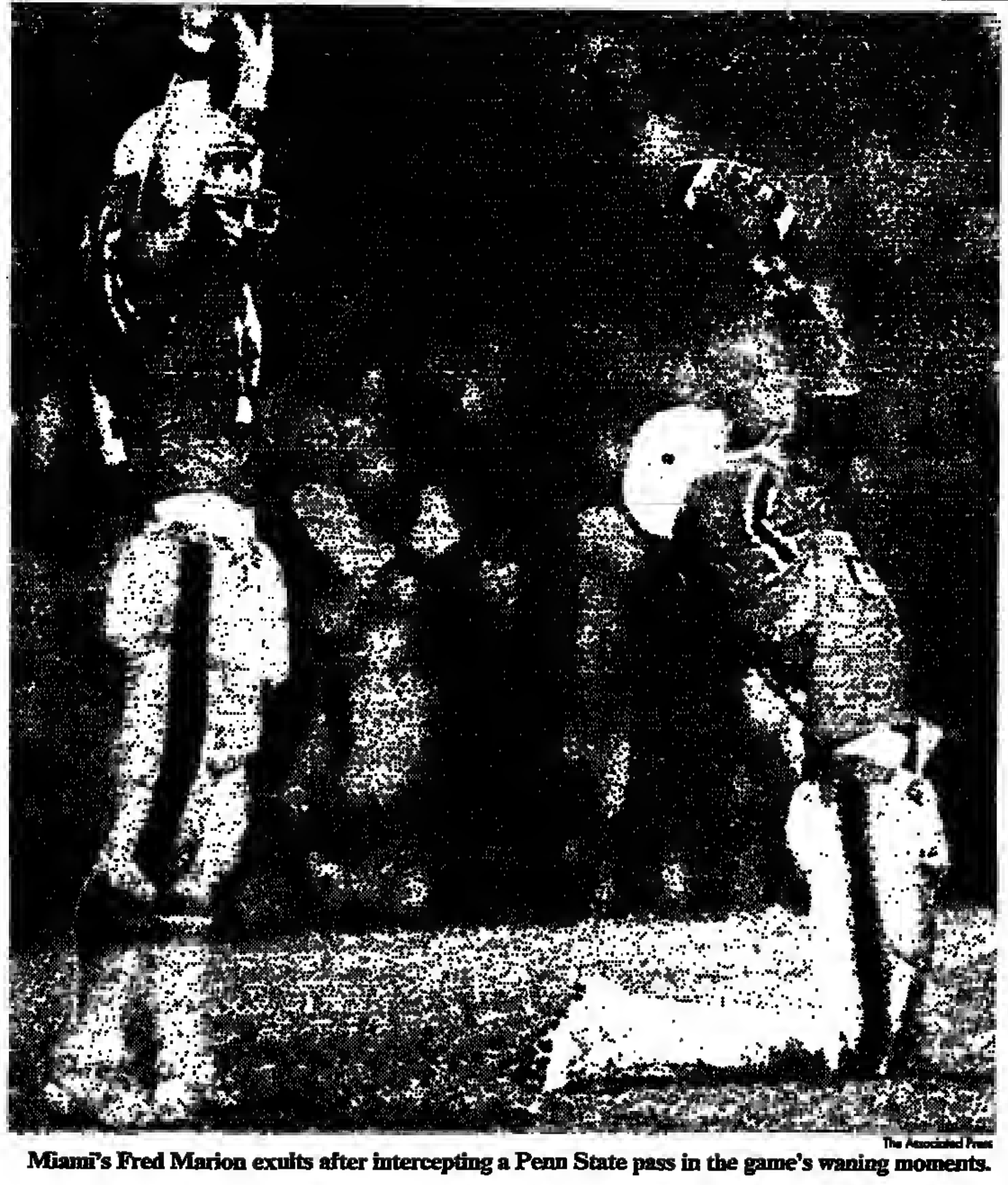
"We have 44 cable systems that carry our games," said Harvey Greene, a network spokesman. "We cover a 75-mile radius and have 1.2 million subscribers. This year we're carrying 125 events, including all the Knicks' home games except one that CBS is doing."

In Chicago, the Bulls, the White Sox and the Sting (the city's professional soccer team) recently signed a cable contract that will begin next baseball season. SportsVision will sell the package to each household for $21.65 a month.

For the financially troubled Washington Bullets, there will be no cable contract in the near future. "The theory here is that there just aren't enough subscribers in this area right now," said General Manager Bob Ferry. "We just have to wait until the system expands."



Nets' Mike O'Koren battled New York Knick Michael Ray Richardson for the ball in Friday's NBA opener for both teams. The Knicks won, 103-99; Maurice Lucas, recently traded by New Jersey, scored a game-high total of 25 points for the winners.



Miami's Fred Marion exults after intercepting a Penn State pass in the game's waning moments.

Miami Jolts Penn State, 17-14

From Agency Dispatches

MIAMI — Penn State, ranked No. 1 by both major college football polls, was upset Saturday by Miami, 17-14, before 32,117 fans in the Orange Bowl.

Jim Kelly threw a touchdown pass for 80 yards, then passed for a 2-point conversion, and Dan Miller kicked three field goals to give the Hurricanes a 14-0 halftime lead.

Penn State scored two touchdowns in the fourth quarter and was heading for a possible winning score. But at the Miami 25-yard line, Jon Williams fumbled a handoff from Todd Blackledge, and Tony Chickillo recovered to preserve the biggest victory in recent Miami football history.

"This is the greatest win we've ever had," exulted Harry Mallios, Miami's athletic director. "I'm ecstatic."

Coach Howard Schnellenberger said quietly, however, that he felt lucky to escape with the victory. "I have to say that I put Penn State in the same category that I've put my own football team in so many times," he said. "They weren't beaten out there, the clock ran out on them."

The Nittany Lions launched a final drive from their 32. Blackledge passed 12 yards over the middle to Williams for a first down at the 44. But the rally died on the next play, as Miami safety Fred Marion picked off a Blackledge pass intended for Williams at the 10. A Hurricane linebacker had tipped the pass, intercepted with 1:15 to go.

Kelly had been expected to give Penn State troubles with his passing, and did just that. In the second quarter he connected with Larry Brodsky on an 80-yard touchdown pass. Brodsky caught the ball at the Miami 48 and outran all defenders. Kelly then passed to Mike Rodrigue for his 2-point conversion and a 14-0 lead that held to intermission.

The big surprise was the Miami defense. Led by Bob Nelson, one of two excellent tackles, the Hurricanes controlled a team that had averaged 440 yards on offense. Nelson made the most important tackle of the first half when he stopped Curt Warner, Penn State's star tailback, for a 3-yard loss on third down at the Miami 2 in the second quarter. Brian Franco had to try a 21-yard field goal from a severe angle, and hooked the ball to the left. Warner was hurt on a later play and left the game limping. He did not return.

Penn State struck in rapid succession. Blackledge completed a drive by passing to Mike McCloskey for a 13-yard touchdown. On a 2-point conversion attempt, Blackledge's pass was incomplete and the score was 17-6. Miami's Smokey Roan fumbled on the first series of plays after the ensuing kickoff. The Lions recovered at the Miami 26, and Blackledge did it again.

Pitt 29, Boston College 24

In Boston, Dan Marino passed for two touchdowns and ran for a third as Pittsburgh survived a pair of fourth-quarter scares to beat Boston College, 29-24, for its 14th straight victory, the longest winning streak among major colleges.

With scouts from the Fiesta Bowl looking on, the Panthers built a 29-10 lead through three quarters, and then held off a furious Boston College rally led by freshman quarterback Doug Flutie.

Flutie passed for 347 yards and two fourth quarter touchdowns. But after moving inside the Pitt 10 twice in the final quarter, the Eagles came up empty.

USC 41, Washington St. 17

In Los Angeles, tailback Marcus Allen scored four touchdowns and rushed for more than 200 yards for a record sixth time this season to lead Southern California to a 41-17 victory over Washington State, handing the Cougars their first loss of the year.

Allen, the nation's leading rusher, scored on runs of 18, 1 and 1 yards and caught a 17-yard pass for his fourth score. The six 200-yard games set a National Collegiate Athletic Association single-season record, breaking the mark set previously by Ed Marinaro of Cornell.

Clemson 82, Wake Forest 24

In Clemson, S.C., Chuck McSwain scored three touchdowns and Cliff Austin and Perry Tuttle added two apiece in leading Clemson to an 82-24 rout of Wake Forest. The Tigers scored the most points ever in an Atlantic Coast Conference game.

Illinois 24, Iowa 7

In Champaign, Ill., the Illini, led by quarterback Tony Eason's 263 yards and two touchdown passes, capitalized on crucial Iowa errors to upset the Hawkeyes, 24-7.

Michigan 34, Minnesota 13

In Minneapolis, Steve Smith passed for 237 yards and three touchdowns, and Butch Woolfolk passed the 1,000-yard rushing mark to lead Michigan to a 34-13 victory over Minnesota.

Smith, a sophomore, completed 13 of 20 passes, including eight to wide receiver Anthony Carter for 154 yards.

Ohio State 45, Purdue 33

In West Lafayette, Ind., Art Schlichter threw for three touchdowns and ran for another to pace Ohio State to a 45-33 victory over Purdue.

The Buckeye victory spoiled a strong performance by Scott Campbell, the Purdue quarterback. The sophomore completed 31 of 52 passes for 516 yards and three touchdowns. The yardage total broke Mark Herrmann's record of 439 yards set against Iowa last year.

Michigan State 26, Indiana 3

In East Lansing, Mich., Morten Andersen kicked four field goals to become Michigan State's all-time scoring leader, and John Leister threw two touchdown passes to lead the Spartans to a 26-3 victory over Indiana.

Andersen hit on field goals of 25, 38, 23 and 20 yards to pass Hans Nielsen as MSU's scoring leader with 242 career points. The soccer-style kicker, a native of Denmark, also passed Tom Harmon of the University of Michigan to become the No. 4 scorer in Big Ten history.

Notre Dame 38, Navy 0

In South Bend, Ind., quarterback Blair Kiel threw for two touchdowns and ran for another in the first half to power Notre Dame to a 38-0 rout of Navy.

Yale 24, Dartmouth 3

In New Haven, Conn., John Rogan threw two touchdown passes to Curt Grieve, and tailback Rich Diana collected 90 yards rushing to lead Yale to a 24-3 Ivy League victory over Dartmouth.

49ers Win 6th Straight, 17-14, Over Steelers

From Agency Dispatches

PITTSBURGH — Joe Montana survived two costly interceptions and engineered the winning touchdown drive in the fourth quarter Sunday to lead the National Football League's San Francisco 49ers to their sixth straight win, 17-14 over the Steelers.

After Pittsburgh's sixth turnover, Montana took his team 43 yards in nine plays to regain the lead with 5:35 remaining. Walt Easley scored from 2 yards out to cap the drive, set up after rookie Carlton Williamson intercepted a Terry Bradshaw pass.

The Steelers had taken a 14-10 lead into the fourth period. Cornerback Mel Blount had returned a Montana interception 50 yards for a touchdown and linebacker Jack Lambert picked off another pass to set up the second Steeler score. But Montana, who had thrown a club-record 122 passes without an interception until Blount's, came back to rally the 49ers, now 7-2 on the year.

San Francisco converted two Pittsburgh turnovers into 10 points within a 29 second span late in the first half. Montana hit Charle Young with a 5-yard touchdown pass, the score coming with 32 seconds left in the half and capping an 8-play, 46-yard drive set up by Eric Wright's interception.

Frank Pollard fumbled on Pittsburgh's first play from scrimmage following the kickoff; Williamson recovered at the Steeler 29. Two plays later, with three seconds left until halftime, Ray Wersching kicked a 45-yard field goal, his longest of the year.

Dolphins 27, Colts 10

In Miami, quarterback David Woodley threw for two touchdowns and ran for a third as the Dolphins unloaded on Baltimore, 27-10, handing the Colts their eighth straight loss.

Woodley, intercepted five times while passing for 408 yards in a 28-27 loss against Dallas last week, hit 14 of 25 passes for 164 yards, with no interceptions. He ran 3 yards on a draw for the first score late in the opening quarter.

The 1-8 Colts went 80 yards after the following kickoff to tie the game on Bert Jones' 5-yard scoring pass to Don McCauley. Woodley went right back to work on a defense that had yielded 126 points and more than 1,500 in its previous three games. The 6-2-1 Dolphins moved 80 yards in 12 plays, taking a 14-7 lead after Woodley hit Duriel Harris with a 22-yard pass.

Bengals 34, Oilers 21

In Cincinnati, Ken Anderson's pinpoint passing triggered a 24-point second-quarter scoring spree that propelled the Bengals to a 34-21 victory over Houston. Anderson tossed three touchdown passes — two of them in the second quarter — as Cincinnati won for the first time in its seven outings against the Oilers.

Anderson, who completed 21 of 30 passes for 281 yards, threw scoring strikes of 8 yards to tight end Dan Ross and 18 yards to rookie Cris Collinsworth before the half, and then hooked up with Ross on a 14-yarder in the third quarter to build a built a 34-7 lead.

Houston running back Earl Campbell pulled a hamstring muscle in the first half and was removed from the game. Campbell gained 74 yards in 14 carries, the first time the Bengals have held him under 100 yards rushing.

Buccaneers 20, Bears 10

In Tampa, Fla., tight end Jimmie Giles caught a Doug Williams pass and ran 60 yards on an 81-yard scoring play and Williams added a 51-yard scoring pass to Kevin House to lead the Buccaneers to a 20-10 triumph over Chicago.

Rookie placekicker Bill Capece hit field goals of 46 and 30 yards, the latter set up by a Bear fumble in the final moments of the game.

The Bears opened scoring with a 40-yard field goal by John Roveto on their first possession. But they were undone by the Bucs' big plays and their own mistakes until a pass-interference call in the end zone helped set up Walter Payton's 1-yard touchdown plunge in the fourth quarter, making it 17-10.

The Bears had a chance to tie: Quarterback Vince Evans threw a 37-yard pass to wide receiver Rickey Watts at the Tampa Bay 48. Tampa — but Watts fumbled when hit by cornerback Norris Thomas and teammate Mike Washington recovered 33.

An apparent 10-yard touchdown pass from Williams to House was ruled out of bounds, and Tampa Bay settled for Capece's 30-yard boot with 3:40 left.

Tampa halfback Jerry Eckwood gained 110 yards on 21 carries, while Payton had 92 yards on 30 carries.

Joe Montana

'Pistol Pete' Reiser: A Fond Farewell

By Jim Murray
Los Angeles Times Service

NEW YORK — Every ballpark in America is his monument.

Harold Patrick (Pistol Pete) Reiser ran into his last wall the other day and the grand old game lost one of its lovely people.

In every ballpark, there is a shaved portion of the outfield about 4 feet out from the fences. This is the warning track, the Pete Reiser Memorial. When an outfielder's feet hit it as he's looking skyward for a line drive, it tells him he's entering fractured-skull land. Crash ahead.

Reiser would be in the Hall of Fame today if they had warning tracks when he was playing. No one played the game with more daring and verve. No less an authority then Leo Durocher once said Reiser was the best young ballplayer he'd ever seen when he came up to Brooklyn in the early 1940s.

One afternoon in late July, 1942, the Dodgers, running away with the National League race, came into St. Louis for a doubleheader. Pistol Pete was on a tear — 19 hits in his previous 21 at-bats, hitting .380 and about to hit .400.

In the second game of the doubleheader that day, a St. Louis batter, Enos Slaughter, ripped one out over Reiser's head in center field. It was the 13th inning and the park was dark. Reiser took off after it. He got a glove on it. Then he careened around the flagpole and slammed his hatless head into the center-field fence. He dropped the ball. Somehow he picked it up and threw it to the cutoff man, Pee Wee Reese. I say "somehow" because Reiser had just fractured his skull. He passed out as he threw the ball.

Bear in mind, this kind of bustle was on a team that seemingly couldn't be caught.

Reiser was told by the doctor, Robert Hyland of St. Louis, not to play the rest of that season. But Reiser signed himself out of the hospital two days later and went to Pittsburgh, where the Dodgers were playing a series. In the seventh inning, Pistol Pete was called out of the stands by his manager, Durocher, and put into uniform. In an extra inning, he went in to pinch-hit. He singled in a run, ran to first — and fainted.

The late Larry MacPhail, then owner of the Dodgers, railed that the St. Louis doctor was trying to help the Cardinals' pennant drive by cautioning Reiser. So Reiser volunteered to play. "I was very weak," Reiser recalled many years later in spring training as a Dodger coach. Even the umpires took to warning the Dodger bench to get Reiser out of there, that he wasn't seeing the ball well. "He'll get hurt," umpire Babe Pinelli predicted.

Reiser's average plummeted. So did the Dodgers' pennant chances. They blew their huge lead, lost the flag to the Cardinals. "I cost the team the pennant," Reiser mourned. "They won 104 games!" someone remonstrated.

Even at Ebbets

The next time Reiser ran into a wall was in center field at Ebbets Field, the Dodgers' home park in Brooklyn. "I had forgotten Branch Rickey had removed 40 feet of center field to put in seats," he was to recall years later. He hit the wall and was paralyzed for 10 days.

As soon as he could move, Reiser rejoined the club. In Pittsburgh again. There, running in the outfield, he collided with pitcher Clyde King. Again he was knocked out.

Two years later, he was sitting in a hotel with Reese. The Dodger shortstop pointed to Reiser's scalp. "What's that bubble in your head?" he wanted to know.

What it was was a blood clot. He had had it since hitting the wall in Brooklyn. Reiser was flown to Baltimore and operated upon.

He was never the same player. He batted .294 lifetime, which would make him a million-dollar ballplayer today, but that was so-so for the kind of player Reiser really was.

One-Legged Wonder

That he still struck awe in the hearts of rival managers and people who had to pitch to him was illustrated in the 1947 World Series, the second between the Yankees and Dodgers. Reiser broke an ankle sliding into second. Then, in the fourth game, the Yankees' Bill Bevens was pitching a no-hit game with two out in the bottom of the ninth. He walked Al Gionfriddo, his 10th base on balls of the game.

Pete Reiser
. . . In 1947.

The Dodger manager, Burt Shotton, sent Reiser up to bat. Broken ankle and all.

Gionfriddo stole second. And then the Yankee manager, Bucky Harris, paid Pistol Pete the ultimate baseball compliment. He not only walked him, he also put the winning run on base, the cardinal sin of managing. The next batter, Cookie Lavagetto, hit a double and scored Gionfriddo and the man who pinch-ran for Reiser, Eddie Miksis. Harris lost the game but his explanation was succinct: "Even on one leg Pete Reiser is a better hitter than most guys on two."

Reiser was a marvelous companion on train and bus trips and trips to church over the years. Reiser had a bum ticker and knew it. But he laughed over his benighted career in the game. "You run into two lousy walls in your lifetime and right away you're Evel Knievel in cleats!" he used to moan.

Wherever he is today, I hope they have a roomy outfield and a crushed-brick warning track because Reiser would still go hard.

And to the planning staff of any ghostly team he may face there, I would have a word of advice: Don't walk him. Reiser was one of the best of the Boys of Summer, and he never saw a ball he didn't think he could hit — or catch.

More Sports On Page 17

Austin Rallies, Beats Navratilova

The Associated Press

STUTTGART — Defending champion Tracy Austin overcame Martina Navratilova, 4-6, 6-3, 6-4, to win a Grand Prix tennis tournament here Sunday.

Navratilova displayed a powerful net game to take the first set in 42 minutes. But thereafter, Austin switched to slower, higher shots and Navratilova made several errors of judgment.

Van Patten Wins

TOKYO (AP) — Vince Van Patten of the United States beat Australian Mark Edmondson, 6-2, 3-6, 6-3, to win a professional tournament here Sunday. Van Patten had eliminated top-seeded John McEnroe in the semifinals.

Vines Upsets Portes

PARIS (AP) — Unseeded American Mark Vines scored an easy 6-2, 6-4, 6-3 victory to upset Pascal Portes of France and win a professional indoor tournament here Sunday.

Tiny U.S. School Keeps Tradition Intact — at 0-44

United Press International

ENSIGN, Kan. — For the 11 football players of Ensign High School, losing is not everything. It's the only thing.

The Wildcats, who have lost this season by such scores as 52-0, 52-8 and 52-6, currently sport an 0-7 record. Their last victory came five seasons ago. Since then, it's been 0-44.

"My kids have never quit," says Wildcat Coach Charles Fisher. "We've gotten quite a bit of press about our losing, and that kind of rubs salt in the wound, but we're not any different from any other team. We're no pushovers. We just haven't been privileged enough to win."

Ensign, with only 31 students, competes in the state eight-man division. Of the 11, four are freshmen and three sophomores. There's just one senior on the team — the only senior boy in the school.

"The people are really proud of these kids," Fisher said of the town's support. "Despite the press and the record, they're behind these kids."

On some Friday nights, Ensign plays with less than a full team because of injuries or illness. In several games last season, the Wildcats had to play six-against-eight because of injuries and finished one game with just four players on the field.

Despite the lopsided scores, Fisher says his team has played fairly well this year. Recently the Wildcats were down, 28-24, going into the fourth quarter.

But with almost every player going both ways, fatigue finally caught up to them and they fell again, this time 52-24.

Things haven't always been like that in this town 12 miles southwest of Dodge City. In fact, when Fisher played for the Wildcats in the late 1960s, the team was a virtual powerhouse — losing only three games in a four-year span that included one undefeated season.

Romania Wastes Chances, Loses to France in Rugby

From Agency Dispatches

NARBONNE, France — Romania, seeking its first rugby test match victory in France since the two countries' series began in 1924, wasted scoring chances in the final minutes Sunday and lost, 17-9, by two tries, a drop and two penalties to three penalties.

The Romanians, who beat France in Bucharest last year, came back from 14-0 to 14-9 and ran two penalties near the French line in the closing minutes, but the French defense held and a last-second penalty by fullback Serge Gabernet padded the margin.

Ion Constantin accounted for Romania's points. The French tries were scored by Pierre Elissalde and Serge Blanco. Gabernet kicked the early penalty and Guy Laporte kicked the drop that put France 14 points ahead.

The eight-point winning margin was the same as New Zealand's in the All Blacks' 14-6 defeat of Romania in Bucharest the weekend before. Robert Paparemborde captained France in the absence of Jean-Pierre Rives, not yet match fit after shoulder surgery in July.

In Clermont-Ferrand Saturday, the All Blacks — with captain Graham Mourie returning after injury — beat a French selection, 18-10. They had won the first match of an eight-match French tour, 15-13, in Strasbourg Wednesday. The tests are on Nov. 14 in Toulouse and Nov. 21 in Paris. Meanwhile, after a Wednesday match in Grenoble, the tourists are to face the French Barbarians led by Rives in Bayonne next Saturday.

In Cardiff Saturday, Australia eked out a 10-9 victory over Wales B, after losing twice, drawing once and beating Oxford University in the first four matches of a 24-match tour that ends in January.

Surgery for Bruins' Craig

The Associated Press

BOSTON — Goalie Jim Craig of the Boston Bruins has undergone surgery for removal of a growth in his right shoulder. Friday's operation was termed "a complete success" by a physician for the National Hockey League team.

NBA Standings

EASTERN CONFERENCE

Atlantic Division

	W	L	Pct.	GB
Philadelphia	2	0	1.000	—
Boston	1	1	.500	1
New York	1	1	.500	1
New Jersey	0	1	.000	1½
Washington	0	1	.000	1½
Central Division				
Detroit	2	0	1.000	—
Indiana	2	0	1.000	—
Milwaukee	1	1	.500	1
Atlanta	0	1	.000	1½
Cleveland	0	1	.000	1½
Chicago	0	2	.000	2

WESTERN CONFERENCE

Midwest Division

	W	L	Pct.	GB
San Antonio	2	0	1.000	—
Dallas	1	1	.500	1
Denver	1	1	.500	1
Houston	1	1	.500	1
Utah	1	1	.500	1
Kansas City	0	2	.000	2
Pacific Division				
Portland	1	0	1.000	—
San Diego	1	0	1.000	—
Seattle	1	0	1.000	—
Golden State	1	1	.500	½
Los Angeles	0	1	.000	1
Phoenix	0	2	.000	1½

Saturday's Results

Detroit 116, Chicago 106 (Thomas 28, Long 23; Gilmore 24, Theus 19).

Dallas 95, Kansas City 89 (Aguirre 14, Vincent 11, Drew 14, Grunfeld 13).

Indiana 106, New York 99 (Knight 24, Buse 16; Richardson 20, Newlin 17).

Philadelphia 108, Atlanta 106 (Erving 22, Dawkins 18, Roundfield 31, Macklin 23.).

San Antonio 145, Denver 128 (Gervin 27, Olberding 19, Issel 26, English 26).

Milwaukee 119, Boston 103 (Moncrief 20, Winters 16, Parish 23, Bird 15).

Golden State 104, Utah 91 (King, Carroll 18, Free 16; Dantley 22, Hardy, Griffith 12).

San Diego 125, Houston 110 (Brooks 27, Williams 20; Malone 42, Hayes, Murphy 13).

Seattle 84, Phoenix 84 (Williams 28, Shelton 20; Robinson 18, D. Johnson 17).

Friday's Results

Portland 103, Phoenix 95 (Thompson 24, Harper 20; Macy 24, Robinson 22).

New York 103, New Jersey 99 (Lucas 25, Richardson 19; Cook 22, O'Koren, B. Williams 19).

Utah 105, Dallas 89 (Dantley 38, Green, Griffith 16; Aguirre 19, Davis 15).

Denver 134, Golden State 121 (English 22, Issel 21; King, Carroll 17, Williams 16).

Philadelphia 128, Cleveland 104 (Erving 27, Cheeks 18; Wilkerson 17, Silas 16).

San Antonio 113, Kansas City 102 (Gervin 35, Corzine 18; King, Ford 14, Meriweather 15).

Boston 124, Washington 100 (Parish 22, Bird 20; Ballard 21, Mahorn 15).

Detroit 118, Milwaukee 113 (Thomas 31, Hubbard 20; Moncrief 22, Johnson 19).

Houston 113, Los Angeles 112 (Malone 34, Hayes 16; Abdul-Jabbar 33, Wilkes 27).

Indiana 96, Chicago 94 (Knight 30, Owens 16; Gilmore 25, Lester 16).

CFL Standings

EASTERN DIVISION

	W	L	T	PCT	PF	PA
x-Hamilton	11	4	1	.719	415	335
y-Ottawa	5	10	1	.353	391	467
Montreal	2	13	0	.133	228	503
Toronto	2	14	0	.125	241	507
WESTERN DIVISION						
x-Edmonton	14	1	1	.906	566	277
y-Winnipeg	10	5	0	.667	473	292
Br.Columbia	10	6	0	.625	438	377
Saskatchewan	9	7	0	.563	443	329
Calgary	6	9	0	.400	300	323

x-won division title.
y-qualified for playoffs.

Saturday's Results

Hamilton 22, Toronto 11
British Columbia 13, Saskatchewan 5

Transactions

BASEBALL
National League

ST. LOUIS—Assigned Steve Braun, outfielder, to Springfield of the American Association.

BASKETBALL
National Basketball Association

SAN DIEGO—Reached a contract agreement with Phil Smith, guard.

FOOTBALL
National Football League

CINCINNATI—Activated Roy Griffin, cornerback. Waived Elvis Peacock, running back.

LOS ANGELES—Signed Phil DuBois, tight end.

MIAMI—Reactivated Bill Barnett, defensive end. Waived Ricky Roy, cornerback.

NEW ENGLAND—Activated Steve Nelson, linebacker. Placed Kevin Donnalley, defensive back, on the injured reserve list.

NEW ORLEANS—Activated Paul Ryczek, center. Waived Brooks Williams, tight end.

HOCKEY
National Hockey League

MINNESOTA—Signed Lou Nanne, general manager, to a six-year contract.

N.Y. RANGERS—Purchased the contract of Tom Younghans, right wing, from Minnesota, and assigned him to Springfield of the American Hockey League.

COLLEGE

NORFOLK ST.—Announced the resignation of Lucias Mitchell, head basketball coach.

NHL Standings

WALES CONFERENCE

Patrick Division

	W	L	T	GF	GA	Pts
NY Islanders	9	1	2	47	34	18
Philadelphia	8	2	1	[illegible]	[illegible]	[illegible]
Pittsburgh	5	4	2	[illegible]	[illegible]	[illegible]
NY Rangers	3	5	0	21	[illegible]	[illegible]
Washington	1	11	0	36	57	2
Adams Division						
Montreal	6	1	4	45	28	16
Boston	6	2	3	[illegible]	[illegible]	[illegible]
Quebec	7	6	0	[illegible]	[illegible]	[illegible]
Buffalo	5	2	3	[illegible]	[illegible]	[illegible]
Hartford	1	5	4	[illegible]	[illegible]	[illegible]

CAMPBELL CONFERENCE

Norris Division

	W	L	T	GF	GA	Pts
Minnesota	7	2	2	48	30	16
Winnipeg	6	4	2	[illegible]	[illegible]	[illegible]
Chicago	3	3	5	[illegible]	[illegible]	[illegible]
Detroit	4	5	3	[illegible]	[illegible]	[illegible]
St.Louis	4	6	1	[illegible]	[illegible]	[illegible]
Toronto	3	6	2	47	51	8
Smythe Division						
Edmonton	7	4	0	71	[illegible]	[illegible]
Los Angeles	5	5	2	[illegible]	[illegible]	[illegible]
Vancouver	4	5	3	[illegible]	[illegible]	[illegible]
Calgary	3	7	3	[illegible]	[illegible]	[illegible]
Colorado	2	7	2	30	51	6

Saturday's Results

Pittsburgh 3, Buffalo 1 (Price (1), Faubert (2), Gardner (4); Van Boxmeer (2)).

Edmonton 11, Quebec 4 (Hagman 2 (8), Gretzky 4 (13), Anderson 2 (5), Kurri 2 ... [illegible]

N.Y. Islanders 2, Montreal 1 ... [illegible]

Winnipeg 6, Toronto 5 ... [illegible]

Colorado 6, Washington 4 ... [illegible]

St. Louis 6, Los Angeles 4 ... [illegible]

Minnesota 6, Detroit 4 ... [illegible]

Boston 7, N.Y. Rangers 3 ... [illegible]

Chicago 2, Hartford 2 ... [illegible]

Vancouver 8, Philadelphia 4 ... [illegible]

Language

The Great Out There

By William Safire

NEW YORK — In Vienna, Alan Levy has been clipping certain New York Times stories out of the International Herald Tribune. The common denominator is "out there."

In one story aboot show business, Lila Wisdom, godmother of actress Brooke Shields, is quoted as warning: "Everybody has the million-dollar deal. There are a lot of phonies out there."

Safire

On the business page, Edward Telling, chairman of Sears, Roebuck, observes: "We can't forget those 40 millioo accouots out there . . ."

On the oews pages, Arlene Weidner, an organizer of the Save-Our-Shrine Committee in Chicago, commented on the charges aimed at Cardinal John Cody: "There are 2½ million Catholics out there who must feel awfolly bad . . ."

Noting these usages, Levy observes: "When my family and I moved to Europe 14 years ago, we thought we went Over There. Now I keep reading about somewhere called Out There. Since we're planning a return visit to the States next summer, I'd like to book a Super-Apex ticket to this oewest in-place, but we can't find it on the map."

I, too, have been tracking printed references to this much-mentiooed place. Out There is the insider's derogatioo of the vast wasteland outside. It is not so much a place as a collection of unsophisticated people — the amorphous audience, the mob upoo which the opinion makers like to say they "impact."

The predecessor phrase was the "Great Unwashed," said to have originated with Edmund Burke; in this sense, its faintly contemptuous adjective was first recorded in the United States in 1844: "The larger element of ignoraoce and 'unwashed' humanity, including our foreign-born population, gave victory to Mr. Polk."

For a time in the early 1970s, "the Silent Majority" was the operative phrase, spoken less in derogation than in defiance, but that phrase had ancient roots in a description of all the people who had ever died. It was quickly replaced with "Middle America," a oeutral-connotation coinage by columnist Joseph Kraft. While many of us were comparing "heartland" to "Sun Belt" (columnist Kevin Phillips) to "Frost Belt" (both belts were derived from H.L. Mencken's "Bible Belt"), an old show-biz phrase slipped in to take over the characterization of the masses by the elitists: Out There.

I think the phrase was popularized in the 1930s with "all you folks out there in radioland." Another source might be Australian, from the Outback, wilderness (now a wilderness area).

The central element of Out There is the conscious separation between a speaker and the group to which he scornfully, or fearfully, or even admiringly, refers. As in any lumping together of a proletariat, the phrase drips with condescension. The speaker is obviously happy to be In Here.

ALEXANDER V. ARENO of New York springs to the defense of publishers who call their books "a good read":

"Are we not dealing here with gerunds minus the 'ing' suffix?" he says, coming up with a good ask. "Do not archaeologists say that they are going on a dig? When athletes get together to compete with each other, is not the event called a meet? On a hot summer afternoon at the beach, would one not be tempted to go for a swim? In slang, an elaborate social event can be referred to as a do."

I am aware of the good buy and its successor, the real steal, and of Rudyard Kipling's "And a woman is only a woman, but a good cigar is a smoke," after a quick study over which many feminists had a good cry.

The use of verbs as oouns, and vice versa, is as hilled as the old; it can make lively speech and writing, used in moderation or with originality, but becomes objectionable when used to excess.

To those who, like me, reject "a good read," let me commend the ridicule implicit in Chicagoan Jim O'Leary's observation that "an Irish wake could be considered a good grief," and Frederic A. Wool's television criticism: "'Big Valley' was a bad view, while '60 Minutes' is usually a fine watch."

Beware of too much of a good thing.

New York Times Service

Tristan and Mehta

The Concept of Musical Purity Vs. the Beliefs of the Composer

By Donal Henahan
New York Times Service

NEW YORK — Strange, isn't it, how the Wagner question refuses to die. No other composer raises temperatures so high or sets off such awful rows and vendettas, even among people whose interest in music is otherwise close to nil. That, of course, is because oo other composer's music is so permeated with his political and social beliefs, so dominated by his view of the world. Strange, again, that such a composer should have arisen in and come to stand for Germany, which had established itself as the guardian of the idea of music as a branch of abstract thought. Bach's fugues (not the cantatas or the passions, of course,) epitomize this concept of musical purity. Then Beethoven came along to strain that mold, and Wagner shattered it. Music and philosophy became intertwined throughout Europe in the 19th century and have never come untangled.

That is why, when Zubin Mehta decided, on principle, that it was time to end the 43-year-old boycott by the Israel Philharmonic against the music of Wagner, violence broke out in Tel Aviv. Some Israelis decided, also on principle, that they didn't want to hear anything by this infamous anti-Semite and pet composer of the Nazis. They decided, furthermore, to disrupt two encore performances of the Prelude and Love Death from "Tristan und Isolde," so that other listeners who chose to stay to hear the piece, again on principle, would be unable to do so. At the second concert, Mehta gave up after two measures had been played, because the anti-Wagnerites demonstrated so loudly.

Mehta explained that he acted out of a love for Wagner's music as well as a love for Israel, where he is regarded as an adopted son. If for the moment he came out the loser in this confrontation of principled people, he did force thought about the whole question of music as an extension of politics. Mehta, like many other musicians who love Wagner's music, had a decision to make and he voted as a musical idealist — almost, you might say, as a German.

The musical idealist's contentioo — a contention that traditionally has been considered the *echt* German stand — that that something which we call art always tends or aspires to the state of anonymity. The idealist can have no concern about whether the authors of the "Iliad" or "The Well-Tempered Clavier" or "Measure for Measure" were good people or bad, whether they were kind to dogs or stole from the poor box. Life is brief but art endures, and all that.

Beyond Rational Objection

Carrying out that Walter Pater-ish concept, we see that Israeli audiences would have a duty to hear the "Tristan" music, just as Mehta would have a duty to play it. Why? Because "Tristan" is, beyond all rational objection, important and enduring music, great art by any definition but the most obtusely parochial. It must, then, be spread through the world by music's missionaries, and dispensed to everyone, like vitamins or antibiotics.

But Israel, though it has been called a state of mind as well as a state in the more usual sense, exists in the real, non-abstract world. And so, at least for the time being, do Wagner's music and the specter of his person. Mehta was perfectly right to try to play the "Tristan" excerpts; his only mistake was in not waiting another 30 years or so.

The fact is that while the generation that lived through the '30s and '40s is still able to walk and talk, Wagner will not have an entirely clean bill of health. Those who are remnants of that period may be enchanted by his music, but they will never be completely free of a sense of uneasiness, a feeling almost of contamination. Mehta is too young to feel that, except empathetically, as the sensitive artist he is.

A Craven View

But the survivors of one of history's most ghoulish episodes are entitled to despise Wagner if they wish to. Israel, after all, is not the whole world. Wagner has reclaimed his popularity to an astonishing extent in the last four decades and can be heard unceasingly in almost every other corner of the globe. Art will not suffer fatally if the Israel Philharmonic decides that the boycott of the Prelude and Love Death must continue for a few more years.

Keystone

Composer Richard Wagner

This, of course, would be a craven view of the question from the standpoint of the 19th-century musical idealist and his present-day counterparts. The Symbolists, for instance, regarded music, and art in general, as an alternative or substitute for religion. It was no accident that Wagner's most powerful champions in Paris have been, early and late, literary people: Mendès, Baudelaire, Doré, Verlaine, Mallarmé, Valéry, Proust. In Germany the Wagner brigades were led by such writers as Nietzsche and Mann; in England, by Shaw.

The reason is that Wagner, more than any other composer before him, had by his own self-advertising process forged connections between his music and his philosophical ideas, such as they were. Literary folk, who generally are blessed with tin ears and do not really understand anything but opera, found Wagner's music surprisingly easy to accept, even while musicians such as Debussy were being caught in a classic love-hate relationship with a composer whom they recognized as a dangerous kind of genius. Most musicians mistrust words as much as most literary people mistrust music. Even now, Wagner's music is generally a youthful addiction that most musicians get over, if never entirely.

The irony is that Wagner himself became a musical idealist in his later years. He expressly contradicted the view he had championed in "Opera and Drama," a polemic that had "stressed the primacy of poetry in the synthesis of music and words," as Derek Watson puts it in a new biography published by Schirmer Books, "Richard Wagner." Ten years after rallying literary circles to his banner with "Opera and Drama," Wagner discovered Schopenhauer, whose contention was that music is entirely independent from any text or stage action.

The man who had persuaded half of Europe's literary men that words should dominate music — as if they needed persuading — now flip-flopped. For most of the remainder of his career he conceded like a Schopenhauer disciple and thus a true German: in "Tristan," for instance, he put so little emphasis on the text that the whole of Act 2 could be sung in vocalise without much distortion or misrepresentation of its essential ecstatic meaning.

Whenever the problem of politics and art comes up, as it always does and always will, hard words are sure to be spoken. But it helps to remember that nothing is true or false in the abstract, and that context shades every situation.

The Reluctant Bing

Throughout most of his career as general manager of the Metropolitan Opera, for example, Rudolf Bing showed a marked reluctance to engage artists whose careers had been tainted by association with the Nazis. That now strikes a younger generation as absurd — a case of cutting off the Metropolitan's nose to spite the Master Race. But Bing had lived through a traumatic period in European history and so had most of the Metropolitan's audience; to ask them to adopt an Olympian, idealistic view of certain German musicians would have been to ignore the fact that art, like politics, can only be an abstraction in retrospect. In other words, Homer, Bach and Shakespeare are old enough to be considered politically impotent and artistically pure, but Wagner evidently is not. Mehta's brave experiment proved that.

Letter From Pakistan

Archaeological Crunch

By Michael T. Kaufman
New York Times Service

TAXILA, Pakistan — Within a shard's throw of some of the oldest and best preserved archaeological sites in South Asia, gravel-making machines are chewing up hillsides that provide relics going back 5,000 years.

"These machines are a very dangerous threat to our sites," said Gulzar Mohammed, the curator of the archaeological museum at Taxila.

Diesel-powered rock grinders are scattered throughout the 25 square miles of archaeological sites, in a region in which Buddhist monasteries, Greek settlements and spectacular pieces of Ghandara statuary that blend Buddhist imagery with Hellenistic style have been found.

"These machines," Gulzar said, "are causing more damage than anything that has come to Taxila since the white Huns."

The Huns came in the fifth century and laid waste to the stupas and temples and schools that had been built by the waves of arrivals to the plain. In roughly chronological order, there came the Persians, the Greeks, the Bactrians, the Scythians, the Parthians and the Kushans. Alexander the Great was here, as was Asoka, the unifier of India. In the fourth century, Chinese pilgrims described the area as a great center of civilization and learning. British officers first ooted the ruins in 1852, and excavations were begun in 1913. More recently, Pakistani scientists have found artifacts traced to a neolithic pre-Harappa settlement dating from 3,000 B.C.

During the chaos of partition and independence, there was widespread looting of the museum here, and many missing pieces have been replaced by plastic reproductions. The gravel digs did not appear until three years ago.

The gravel machines have prompted widespread concern, and archaeologists from several countries have called upon the United Nations Educational, Scientific and Cultural Organization to intervene.

Gulzar has often complained to the local police about illegal bulldozing near unexcavated sites. He said that the gravel operations were occasionally stopped for short periods.

"I realize that gravel is necessary for national development of the country, for roads and buildings," he said, "but this is just the wrong place." The fact that the site is only 21 miles from Islamabad, the capital city where much construction is going on, has evidently led profit-minded contractors to conclude that this regioo is the right place.

Buddhist Monastery

Ooe of the most spectacular sites where rock crashing is taking place is at the remains of Jaulian, a Buddhist monastery dating from the time of Christ.

The two courtyards are laid out like a Greek temple. There are the bases of two huge stupas and several statues of Buddha, some of which have bas-reliefs showing Greek deities. The walls are straight and true, and there are about 30 monks' cells.

From what seems to have been the entryway to the monastery, a visitor can see workers 100 feet away loading rock into a crusher that spits gravel into a truck below.

The site is well maintained, though there are few tourists. The caretaker and guide, Ali Darbash, said he had found shards, coins and stone masks on the hill where the rock was being crushed.

"I tell the people at the museum that the digging is dangerous," he said, "and then the police come and then the digging stops and then someone gets paid and then the digging starts again.

"If you look at the top of all these hills around here," he went on, "you can see the pieces of stupa and temples sticking out. Every hill has some treasures, and only a few have been dug."

In October, the Pakistan Times, a paper with close ties to the military government, published a long report denouncing the rock grinding near the sites as illegal. The article said that while the Secretary of Culture was aware of the outrage and that all involved government offices had been informed of what was taking place, the "stone crushers continue to crush rocks extracted through blasting."

Khaled Ahmed, the author of the article, cited the work of a British archaeologist who found that the blasting was causing visible damage to the uncovered monuments.

In the past, articles of this sort in the government-controlled press preceded direct action against whatever target had been singled out by journalists.